As of 11 a.m. ET **DJIA** 10500.22 ▲ 0.46% **FTSE 100** 5320.26 ▲ 0.65% **Nikkei 225** 10177.41 ▲ 0.93% **Shanghai Comp.** 3255.21 ▼ 0.59% **Hang Seng** 21611.74 ▼ 0.93% **Sensex** 16912.77 ▲ 0.21% **S&P/ASX 200** 4661.91 ▼ 0.25%

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THE WALL STREET JOURNAL.

VOL. XXXIV NO. 78 (India facsimile VOL. 1 NO. 139) * * * ASIA Thursday, December 17, 2009
DOWJONES A NEWS CORPORATION COMPANY asia.WSJ.com

U.S. Fed holds rates, points to uptick

By Henry J. Pulizzi

The Federal Reserve said the U.S. economy is recovering from its worst recession in decades, but reaffirmed its plan to keep short-term interest rates near zero for at least several more months.

Following a two-day policy-setting meeting, the central bank reiterated its stance that interest rates should stay in their current range as long as unemployment and other forms of economic slack are very high and inflation is low.

The Fed's assessment of the economic landscape was more upbeat than a month ago, suggesting it is edging closer to withdrawing some of its support for the economy after a stronger-than-expected November jobs report and other positive data. Fed officials also emphasized that many of the emergency lending programs devised in the heat of the financial crisis—such as special lending in commercial-paper markets and to investment banks—are in the process of being scaled back.

"Information received since the Federal Open Market Committee met in November suggests that economic activity has continued to pick up and that the deterioration in the labor market is abating," the central bank said in a statement, altering slightly the words that it had used in early November.

The FOMC voted 10-0 to maintain the target federal-funds rate for interbank lending at between zero and 0.25%.

The panel's decision isn't a surprise to financial markets, which don't expect the Fed to begin raising interest rates un-

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Negotiations head toward an impasse

Associated Press

A Chinese delegate follows a session at the Copenhagen climate summit. Talks appeared to deadlock as nations remain far apart. Page 3

U.S. sues Intel saying tactics stifle rivals

By Don Clark And Thomas Catan

The U.S. Federal Trade Commission joined the legal attacks on **Intel** Corp., accusing the chip giant of using illegal tactics to stifle competition in a complaint that adds new allegations and legal arguments against the company.

Echoing charges by authorities in Europe, Japan and South Korea, the FTC alleged in an administrative complaint that Intel used illegal inducements or threats of retaliation to discourage computer makers from buying chips known as microprocessors—which serve as the brains in personal computers—from rival **Advanced Micro Devices** Inc. Customers affected by Intel's alleged actions include some big names as **Hewlett-Packard** Co., **International Business Machines** Corp. and **Dell** Inc., the FTC alleged.

The FTC allegations, which Intel denied, also extend to another kind of chip that is increasingly important for consumers. These graphics processing units control three-dimensional images in computer games and display video on computers.

Intel's alleged victim in the

Please turn to page 20

Abu Dhabi fund fights Citi deal

By Margaret Coker And Nour Malas

ABU DHABI—This city-state's largest sovereign-wealth fund is pursuing a rare, public legal battle with **Citigroup** Inc., the bank it helped prop up two years ago.

The arbitration action, which Citigroup said was filed Tuesday, signals the latest souring of relations between the U.S. bank and the Abu Dhabi Investment Authority, one of its biggest investors. It is also a surprising legal twist to one of the worst deals by a Middle Eastern sovereign-wealth fund, at a time when many other funds have been able to book profits from their own bets during the financial and economic crisis.

In recent months, a number of big Asian and Mideast funds started exiting their bets on Western banks, booking profits after shares in those institutions shot up sharply from depressed levels at the height of the crisis. But Adia, which moved bigger and earlier than any of its peers, is staring at large losses on its Citigroup investment, starting early next year.

Reuters

Abu Dhabi's largest sovereign-wealth fund is staring at big losses on its Citigroup investment, starting next year.

Now, Adia is seeking to exit the deal through arbitration, alleging "fraudulent misrepresentations" and damages in excess of $4 billion, according to a statement issued by Citigroup late Tuesday.

When it was signed in November 2007, Adia's deal to invest $7.5 billion in Citigroup was seen as a big vote of confidence in the bank and its management team. Adia agreed to pump in cash in exchange for special equity units that paid an annual dividend of 11%, higher than junk-bond yields at the time.

But the deal also required Adia to convert those shares into common stock in March 2010. The current terms of the deal require Adia to buy the stock at as little as $31.83 a share, just a bit more than the $30 or so the stock was trading at the time of the deal. In midday trading Wednesday, Citigroup's shares were trading at $3.51, down 1.4%.

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PAGE TWO

What's News—

* * *
Business & Finance

■ **The EU settled** antitrust issues with Microsoft, capping a decade-long investigation. The software company agreed to offer access to rival browsers and share technical information so competitors' products can work better with Microsoft products. **24**

■ **Australia ruled** that profits from the sale of assets by private-equity firms can in some cases be classed as taxable income, a move industry participants said could reduce foreign investment. **21**

■ **Global banking regulators** will relax a plan calling for stricter capital requirements to come into effect from the end of 2012. **21**

■ **U.S. stocks rose** ahead of an interest-rate decision from the Fed, as a rebound in oil prices lifted several energy companies. Banks in Japan surged on hopes for a delay in the enforcement of stricter capital requirements. **29**

■ **U.S. consumer prices rose** modestly last month, a sign economic weakness is keeping inflationary pressures at bay. **wsj.com**

■ **China sought to end** a standoff between miners and generators over the prices of coal supplies to avoid worsening existing bottlenecks in the system. **4**

■ **Foreign investment in China** in November was $7.02 billion, up 32% from a year earlier. It was the fourth straight month of increase, following a long period in which investment levels fell. **4**

■ **Australia's economic growth** slowed to a weaker-than-expected 0.2% in the third quarter, and the central bank signaled it may halt raising interest rates for a time. **8**

■ **Nissan and Dongfeng expect** car sales to rise 16% at their Chinese joint venture next year. **23**

■ **Australia will relax** some ownership restrictions on Qantas, but will maintain its overall 49% foreign ownership cap, in a move that broadens the airline's options for attracting capital. **24**

Reuters

Competition Commissioner Neelie Kroes said Wednesday that European consumers will benefit from the EU's decision to abandon its remaining case against Microsoft. The software giant agreed in return to market competing browsers alongside its own Internet Explorer.

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* * *
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■ **A Pakistani court declared** unconstitutional an amnesty for politicians accused of corruption, in a decision that could expose President Zardari and other leaders to reopened cases. **WSJ.com**

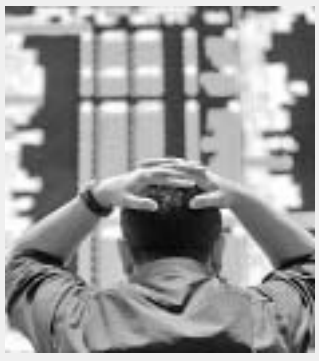
■ **New Zealand officials** investigated an Auckland firm's links to a weapons-filled plane from North Korea detained in Bangkok. Investigators remained unsure of the plane's destination. **3**

■ **China is stepping up** its Internet antipornography campaign, raising concerns that the effort will limit free expression. **6**

■ **China defended** procurement measures that give preference to products containing domestic intellectual property, saying foreign companies operating in China are eligible for accreditation. **4**

■ **Aung San Suu Kyi**, Myanmar's detained opposition leader, was allowed to meet elders of her political party, with whom she discussed leadership changes.

Inside



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New Zealand probes arms-cache link

Officials investigate Auckland firm's role in North Korean shipment seized in Bangkok; a tangle of companies

New Zealand officials are investigating whether an Auckland-based company has links to a weapons-filled plane from North Korea that was detained in Bangkok last week.

Investigators are still unsure where the plane—carrying 35 tons of missiles, explosives and other armaments—was heading or who coordinated the flight plan. Its five-member crew, from Kazakhstan and Belarus, remains in detention in Bangkok and all five have denied knowledge there were weapons onboard.

*By **Patrick Barta, Daniel Michaels** and **Simon Louisson***

Officials in Kazakhstan and the Republic of Georgia have said the aircraft, which is managed by Georgia-registered carrier Air West Ltd., was leased to carry the cargo by SP Trading Ltd., a New Zealand-registered company with offices in Auckland.

Air West director Nodar Kakabadze said he had no information about SP Trading.

"We signed a contract with SP Trading Nov. 4 this year to carry out some flights. That's it," Mr. Kakabadze said by phone from the freight company's base in the Black Sea port city of Batumi, Georgia. "I know nothing more about the company, and we'd never worked with them before," he said.

A copy of the lease agreement between Air West and SP Trading, obtained by Georgian aviation officials and viewed by The Wall Street Journal, lists a person named Lu Zhang as SP Trading's director. New Zealand government records indicate SP Trading was incorporated there in July of this year and also list Lu Zhang as its director.

"We are indeed aware of this issue and the alleged link to New Zealand," said a spokesman for New Zealand's Foreign Ministry. "We are urgently seeking more information," the spokesman said.

Attempts to locate Lu Zhang and contact SP Trading were unsuccessful Wednesday. A reporter who visited SP Trading's registered offices—located in a nine-story building across from Auckland's town hall—was unable to obtain access to the floor listed on the records.

The weapons shipment is among the first detained under new United Nations Security Council rules created in June to curb North Korea's ability to sell and transport weapons. Security experts believe the country reaps hundreds of millions of dollars a year from arms trading, and international security experts are following the latest case closely in the hope that it will reveal more about how North Korea moves the weapons. The latest rules were developed after North Korea tested a nuclear explosive in late May in defiance of previous U.N. sanctions.

Associated Press

Thai officials seize weapons from a plane arriving in Bangkok from North Korea. New Zealand is investigating the cargo's links to an Auckland-registered company.

Thai government spokesman Panitan Wattanayagorn said late Wednesday that Thai officials had finished opening the 140 or more crates from the plane's cargo bay and would release a report within a few days detailing what they found. Some of the boxes included surface-to-air missiles and 50 or so tube launchers with computerized weapon-controls, but there was no immediate evidence of weapons of mass destruction, he said.

Unraveling the details of the mission, however, could take a long time. Thai authorities have said the plane flew to Pyongyang via Bangkok last week to collect its cargo, and then returned to Bangkok to refuel on Friday. Thai authorities impounded the aircraft and confiscated the weapons, which also included rocket-propelled grenades and other equipment.

Thai officials say the plane was due next to fly to Sri Lanka, but Sri Lankan officials say they had no knowledge of the flight and international security experts doubt the island nation was the plane's final destination. Weapons experts say it is more likely the flight was ultimately headed for the Middle East, Pakistan or an African country such as Sudan.

Specialists in tracking weapons shipments said arms dealers are often established through other companies that act as registrar and secretary for multiple unrelated firms to shield their details.

According to New Zealand records, SP Trading has a single New Zealand-listed shareholder, which in turn has one listed shareholder with offices in Vanuatu. According to its Web site, the Vanuatu company provides offshore company incorporation and nominee services. Attempts to reach that company by phone over two days were unsuccessful.

—Samantha Shields contributed to this article.

Crunch time arrives at climate summit

By Alessandro Torello And Selina Williams

COPENHAGEN—Major nations at a United Nations climate summit remained far apart Wednesday on key issues, amid signs that the bargaining process to come up with a new agreement on how to limit global warming was grinding to an impasse.

"I still believe it's possible to reach real success, but I must say that in that context the next 24 hours are absolutely crucial," the top U.N. climate negotiator, Yvo de Boer, said late Wednesday, the ninth day of negotiations.

Mr. de Boer said the chairman of the conference, Denmark's Prime Minister Lars Loekke Rasmussen, was holding consultations with regional representatives to see how best to move forward in the talks.

Connie Hedegaard, president of the conference, resigned Wednesday to hand the job to Mr. Rasmussen as more than 100 other world leaders head to Copenhagen for the final stretch of the talks.

Officials expressed concern that the conference will have little to show when world leaders are supposed to convene to ratify a final outcome on Friday.

"We have no more time to lose," said European Commission President José Manuel Barroso.

China appeared to give some ground on the issue of whether it is entitled to aid from rich nations to subsidize its efforts to curb greenhouse-gas emissions. China's assistant minister of finance, Zhu Guangyao, said Beijing is willing to allow poorer developing nations take priority in receiving rich nations' funding to combat climate change.

But China is sticking to its demand that rich nations provide 0.5% to 1% of their annual gross domestic product as funding to help developing nations for the period to 2020 and beyond, Mr. Zhu said in an interview. He didn't provide information on whether Beijing would insist on some of the funding going to China.

The U.S. has rejected the proposal that rich nations contribute as much as 1% of GDP as unrealistic.

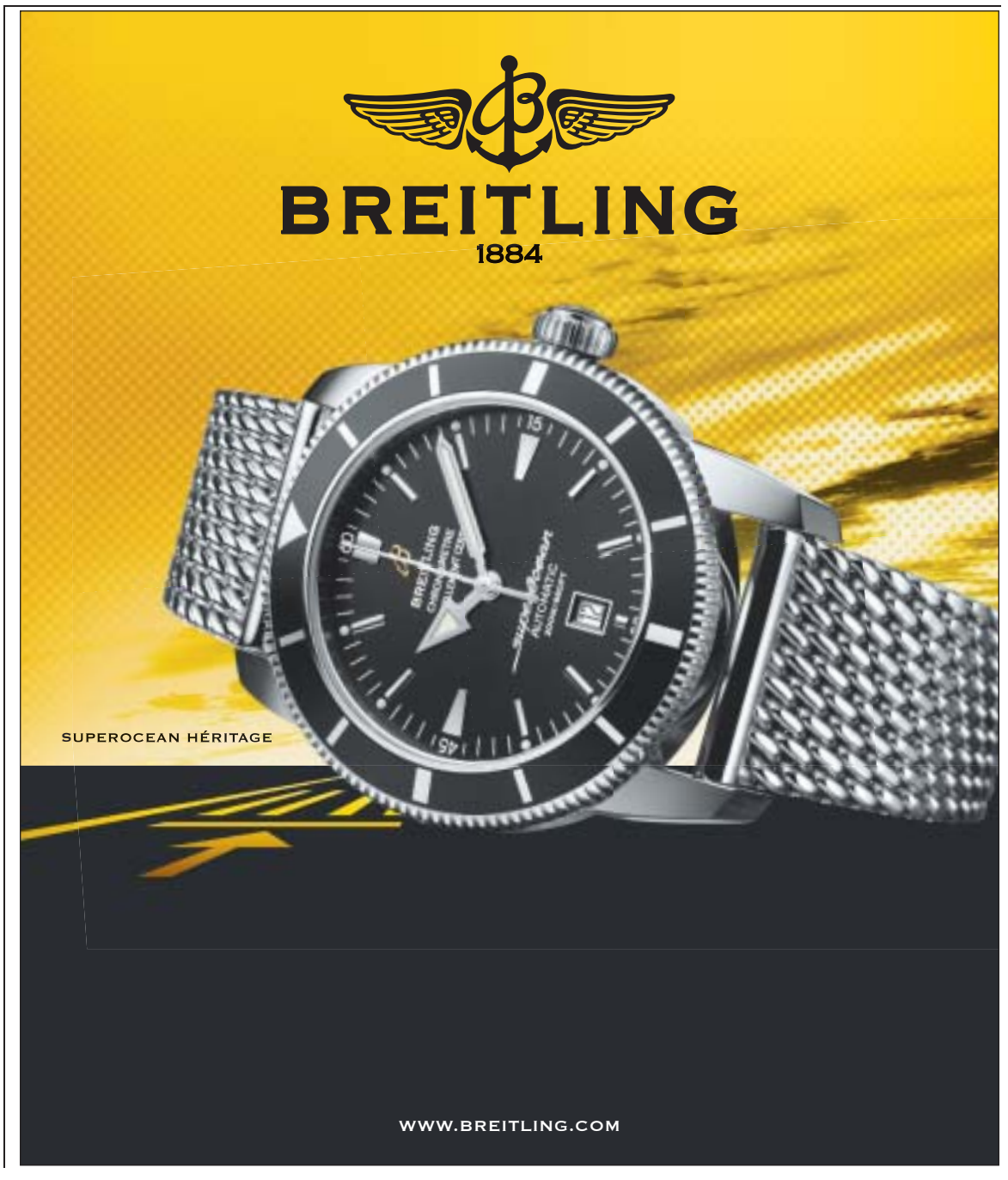
The conference was again surrounded by raucous demonstrations. Police used pepper spray and batons to subdue protesters who tried to disrupt proceedings.

British Prime Minister Gordon Brown said he was upbeat about reaching a deal in Copenhagen. Mr. Brown, who came a day early to Copenhagen to try to help break the deadlock, said there had been movement behind the scenes, a Downing Street spokesman said.

Meanwhile, Venezuelan President Hugo Chávez held court in Copenhagen Wednesday, criticizing the polluting ways of wealthy nations, such as the U.S.

"The rich are destroying the world," he told delegates. Venezuela's economy depends heavily on comparatively dirty heavy oil, much of which it sells to the U.S.

—Jing Yang and Spencer Swartz contributed to this article.



Beijing tries to ease coal shipments

By David Winning

BEIJING—China sought to address a problem of transporting coal around the vast country, in a sign of growing concern over low coal stocks as winter weather sets in.

The government also sought to end a standoff between miners and generators over the prices of annual coal supplies that had the potential to worsen existing bottlenecks in the system. The National Development and Reform Commission said generators should now negotiate prices of coal deliveries directly with miners rather than at an annual coal conference supervised by the government. Generators and miners have a month to conclude talks on deliveries in 2010, the NDRC said.

Power generators and other coal consumers have been reluctant to sign contracts with miners for deliveries several years ahead, as suppliers haven't been able to guarantee enough spare capacity on China's rail network. Easing buyers' concerns that they would receive contracted coal in full and on time, the government separately said Wednesday that all registered term contracts would in the future be guaranteed space on the crowded rail network.

The NDRC also said Wednesday that thermal coal for use in electricity generation should have priority access to the rail network. It said rail cars should carry thermal coal before other grades, such as coking coal, a key ingredient in steel-making.

Cold weather in November cut into supplies of coal, and the latest move signals top-level concerns over the possibility of blackouts. A sharp drop in hydropower output also contributed to falling stocks, as did China's continuing economic recovery.

State media have reported some power plants in central China have only enough coal in reserve to cover little more than a week's demand.

Coal accounts for around half of all goods transported by rail in China, and rail bottlenecks have been a factor in preventing coal from being moved between regions easily, highlighting how massive amounts of stimulus funds to improve infrastructure still haven't solved the issue of how to move energy efficiently around the country's rural center.

The NDRC said it would now prohibit railway operators from allocating transportation quotas before coal contracts have been signed. Middlemen such as brokers, who have bought these quotas in the past to secure spot coal sales, are now banned from trading.

— Wan Xu contributed to this article.

China defends new tech rules

BEIJING—China's Ministry of Commerce defended state procurement measures that give preference to products containing domestic intellectual property, saying foreign companies operating in China are eligible for accreditation under the system, while attempting to play down the size of the multibillion-dollar market.

New government procurement measures, issued on an official Web site in October and reported last week by The Wall Street Journal, establish an accreditation system for government departments buying technology goods that gives preference to products containing domestic intellectual property.

More than 30 industry groups, representing most of the world's major technology companies, wrote a letter last week to the Chinese government saying the requirements are onerous and discriminatory, and violate Beijing's commitments to resist protectionism.

Ministry spokesman Yao Jian defended the measures Wednesday, saying: "It is proper for the Chinese government to adopt the policy as China is developing itself from a major manufacturing country to an innovative country.

"The measures apply to all companies based in China, not only state-owned and domestic private companies, but also foreign companies in China," Mr. Yao said. He suggested foreign companies develop more technology in China.

Mr. Yao's comments follow a Ministry of Foreign Affairs statement late Monday that also defended the regulations.

Mr. Yao said the market for public procurements is small compared with the country's broader market.

"China has a very big market. Government procurement is a fairly small part. Besides, there is still a huge amount of market space that all kinds of companies can use, regardless of whether they are state-owned companies, domestic private companies or foreign ones," Mr. Yao said.

The value of the contracts that would be covered by the new rules isn't clear, but according to the Ministry of Finance, purchases through public procurement, including non-technology goods, totaled about $88 billion in 2008. Mr. Yao cited **Microsoft** Corp. as an example of a foreign firm developing technology in China.

However, he didn't say whether Microsoft's products—many of which aren't developed solely in China despite the company's large-scale R&D operations here—would be eligible for inclusion on the list of preferred "indigenous innovation" vendors. Microsoft spends hundreds of millions of dollars a year on R&D in China.

The Ministry of Science and Technology, the Ministry of Finance and the National Development and Reform Commission drew up the procurement regulations. They have declined to comment since Thursday.

—Liu Li

Foreign investment is up

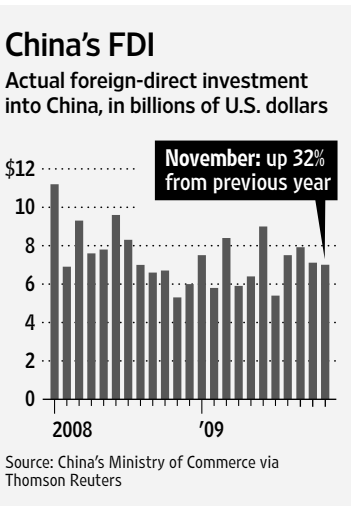
BEIJING—Foreign investment in China, which had been hit hard by the global economic downturn, continued to improve in November from a year earlier, though the level remained stable compared with the previous month.

The Ministry of Commerce signaled Wednesday it was cautiously optimistic about the outlook for foreign investment and exports in the near future, but it doesn't expect the export sector to re-emerge as a major growth driver any time soon.

China attracted $7.02 billion of foreign direct investment in November, up 32% from a year earlier, the ministry said.

November was the fourth straight month of foreign-investment growth and followed October's 5.7% increase to $7.1 billion. Before that, investment had fallen on a year-to-year basis since October 2008.

"The FDI has steadily recovered, and the situation will continue in the coming several months," ministry spokesman Yao Jian said at a news conference. Monthly investment is likely to stay at $7 billion to $8 billion in coming months, he said.



Foreign direct investment in the January-November period was $77.9 billion, down 9.9% from a year earlier. For January to October, the decline was 13%.

—Li Liu

NASDAQ welcomes Funtalk China Holdings Limited, the leading mobile phone specialty retailer and distributor in China. In 2009 alone, Funtalk is the 29th Chinese company to list on NASDAQ – and the 122nd overall. The company operates a network of more than 430 mobile phone retail chains, distributing some of the world's leading brands. Which is why it should come as little surprise that Funtalk has joined NASDAQ, the exchange that lists many of the world's largest and most recognizable companies. And one whose innovative technology platform provides them with the performance and value they need to continue their success.

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WORLD NEWS: ASIA

China steps up antiporn campaign

Critics say Beijing's latest efforts to tighten oversight of Chinese Internet sites are aimed at curbing free expression

By Loretta Chao

BEIJING—China's government is stepping up a campaign against pornography on the Internet that already has closed thousands of Web sites, raising concerns among some free-speech advocates that the effort also is being used to further limit expression.

Among the latest measures in the crackdown, the China Internet Network Information Center, known as CNNIC, a semiofficial office that administers China's domain names, said it will tighten oversight of Chinese domain-name registrations. Beginning this week, all new registrants of domain-names with China's ".cn" suffix are required to show proof they are a government-registered business or organization—effectively making it harder for individuals to set up domestic Web sites.

China's antiporn campaign, initiated in August, has involved multiple government bodies and state-owned companies including **China Mobile** Ltd., the country's biggest telecommunications carrier. The crackdown has shuttered thousands of Chinese Internet sites and hundreds more mobile Web sites viewed by cellphone. Authorities also have begun offering rewards for tips leading to more closures.

Big sites, including **Google** Inc.'s Chinese site and **Alibaba Group**'s Yahoo China site have been publicly accused by authorities of facilitating the spread of vulgar content. Both companies made adjustments to their sites after the allegations, without admitting any wrongdoing.

On Wednesday, China's state-run Xinhua news agency reported that the clampdown on pornography will last until May for mobile sites, and will include an effort to "crack the interest chain behind pornographic [mobile sites], which might implicate telecom firms, access providers, advertisement agencies and third-party payment providers."

Regulators also frequently block access to overseas Web sites, such as Facebook, Twitter and YouTube.

Antipornography campaigns have long been a fixture of Communist Party governance in China, and experts say they often are used by regulators to eliminate sensitive political content as well, such as criticism of the government or items related to Tibetan independence.

Chinese officials, in their move against sexual content, often end up including a wide range of material deemed harmful to its desired form of society, including political critique. Regulators also frequently block access to overseas Web sites, such as Facebook, Twitter and YouTube, which have been inaccessible for most Chinese users since earlier this year.

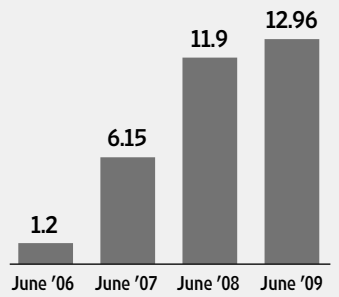
Xiao Qiang, a Chinese-Internet scholar at the University of California at Berkeley, said the latest moves are an example of political censorship "disguised as an antiporn campaign." Mr. Xiao says part of the impetus for such measures, beyond simple government desire for control, is that different government agencies are vying for bureaucratic turf to oversee the increasingly lucrative online media business in China, which has more Internet users than any other nation.

Last week, the State Administration of Radio, Film and Television—one of several regulators with jurisdiction over the Internet in China—closed hundreds of file-sharing sites, alleging they were unlicensed and being used to transmit vulgar material, according to Xinhua. Many of those sites used a popular technology from a U.S. company called **BitTorrent** Inc. which is used to share media, including documentaries and other content not otherwise available in China.

The ".cn" suffix was originally meant for company Web sites, but that was loosely enforced, leading independent blogs and other noncommercial sites to use the suffix. According to CNNIC, this led to the registration of sites that purvey obscenity and "false information."

What's in a name?

Number of dot-cn domains in China, in millions



Source: China Internet Network Information Center

A spokeswoman for CNNIC said, "We are currently focusing on liquidation of harmful domains." She declined to answer other questions.

In the center's notice about the stricter domain-registration policy, it said it would continue periodic investigations of existing domains for obscenity and pornographic content, 1,000 of which it said were deleted this year in the antipornography campaign.

It is still possible to register other suffixes from within China, such as".com" and ".net." Many individuals, including prominent bloggers, have done that to avoid having their sites deleted by Chinese government censors. Those domains can be blocked in China, but are not administered by Beijing.

Jieshibaobao for example, a site for parents of children affected last year by China's tainted-milk scandal, was set up by one parent with a .com suffix after his blog about the scandal, and his other Web sites, were deleted or blocked in China. That site is still online, but as of Wednesday night appeared to be blocked.

Mr. Xiao and other Internet experts say the increased enforcement by CNNIC will push more people to register domain names overseas.

"CNNIC just hurts its [own] business," said Isaac Mao, an Internet researcher in China. "Luckily, there are a lot of alternatives" for domain-name registration.

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A calmer prosperity vs. a less prosperous calm

[Capital Journal]

By David Wessel

A tantalizing question arises in profound debates about the nature of the human mind: If Van Gogh or Mozart had been on Prozac, would they have been spared the agony of depression or would the world have been denied their great art?

The financial crisis and ensuing deep recession raise an analogous question. Do we face a choice: A dynamic, volatile economy with painful episodes like the recent one to get faster long-run growth in living standards versus a more stable economy with fewer crises but also slower growth over time?

If we could find the economic equivalent of Prozac—a cocktail of "financial stability" overseers, tighter restraints on banks, wise government rule to prevent market excesses—would it bring a calmer prosperity or a less prosperous calm?

In a sense, this is a new chapter in a long-running debate between Europe and the U.S. "In the past 20 years, a very extensive political system was built on preserving stability in Europe," Andrzej Rapaczynski, a Columbia University law professor said at a conference last weekend in Berlin convened by Columbia's Center on Capitalism and Society. "It fell under attack by the American risk-loving system. There is now a certain feeling that the world has been victimized by the U.S.," he observed. As a result, he suggested, "a correction of a fundamental ideological kind is under way." It seems to prize stability over risk even at the cost of less innovation.

All this provokes (at least) three responses.

One says: It's a false choice. Peter Kramer, a psychiatrist and author, decries those who see treating depression as somehow different than treating syphilis or epilepsy, both of which once were associated with bursts of creativity. Depression is an illness to be conquered, he insists. Some economists look at the economy the same way. We shouldn't tolerate the panics and depressions that plagued earlier generations, they say. "We want high prosperity but we want it without crisis because crises hurt prosperity," Edmund Phelps, the Nobel laureate, said in Berlin.

Stephen Roach, the Morgan Stanley economist, argued that the boom was a mirage, false prosperity driven by excessive leverage. Surrendering such euphoria denies us nothing in terms of long-run economic growth, only the pain of deep depression. The ups of the 2000s were smaller than the downs; it was a lost decade.

A second says: This is a bad choice. Overemphasizing stability in the wake of the crisis will mean less wealth for the next generation. Standing not far from where the Berlin Wall once towered, German entrepreneur Peter Jungen said, "Without the dynamic growth since the fall of the Wall, we probably wouldn't be where we are today. Would we be happier?" His answer: No! Capitalism, he said, means lurching from crisis to crisis and getting stronger over time. "We need more capitalism than we have," he insisted.

A third says: This tension must be managed, not denied. "We can acknowledge capitalism is not stable, and deal with it," said New York University economist Roman Frydman. "We no longer have to defend capitalism against communism." He argues not for aiming at "stability," but instead at what's been dubbed in other contexts "bounded instability" or the "edge of chaos." Accept the ups and down, but strive to avoid the very highest peaks and very deepest troughs, he said. "Markets ultimately self-correct. They just do it too late."

Until a few years ago, the U.S. implicitly accepted the view that stability was overrated. The Asian financial crisis was their problem, not ours. The tech-stock bubble of the late 1990s burst, but did no lasting harm. Bankruptcies, layoffs and worthless stock options were the price of entrepreneurial risk-taking that also produced the likes of Google. And all that Wall Street financial innovation, well, it seemed to make people rich without making anyone else poor.

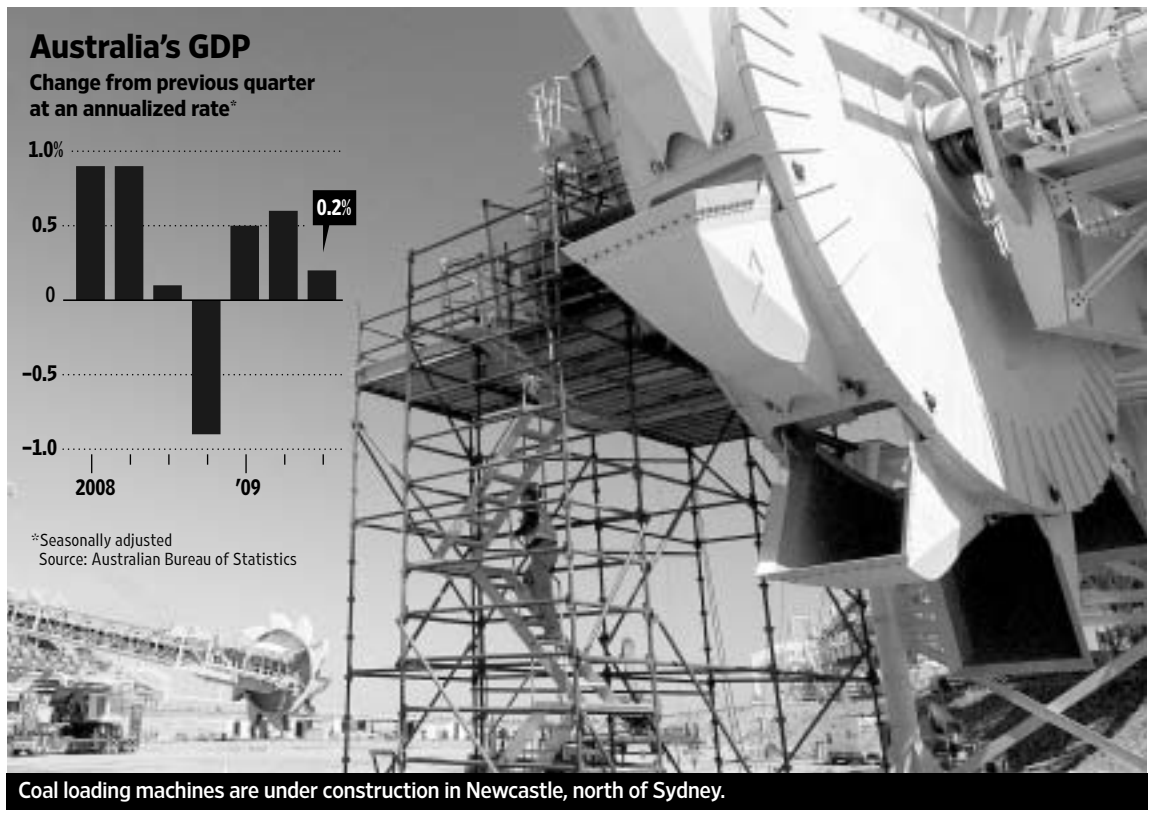
That view is now being challenged. The painful recession has provoked discussion inside the U.S. Federal Reserve, which once shrugged off bubbles in stocks and house prices, about when and how to pre-empt bubbles before they burst. A similar reconsideration lurks behind the debates in Washington and other capitals about what financial innovation should be banned, how much bankers should be restrained, when government should interfere with markets.

Fundamentally, this is not a technical question, but a bigger one. "The regulation we are going to get will be much more a matter of politics than economics," said Mr. Rapaczynski. "Economists are prone to forget this. They believe in markets and believe in philosopher-kings with economists as the philosophers."

If we could be sure that economic and financial stability can coincide or even produce faster growth over time, the choice would be easy. We can't be sure. So ultimately, this is going to be a political—in the best sense of the word—decision. If we're lucky, the political system and central banks will devise ways to get more stability without stifling innovation and dynamism. We might not be lucky.

Clumsy, ill-conceived and hot-headed efforts advertised as avoiding a repeat of the current crisis could yield neither more stability nor more growth. That would be unwelcome.

Write to me at capital@wsj.com. Discuss at wsj.com/capital.



Coal loading machines are under construction in Newcastle, north of Sydney.

Australia growth slows

Central bank signals it is ready to stop raising interest rates for now

By James Glynn

SYDNEY—Australia's economic growth rate slowed to a crawl in the third quarter and the country's central bank on Wednesday gave its strongest signal yet that it is ready to call a pause to interest-rate increases.

The commodity-rich economy eked out weaker-than-expected growth of 0.2% in the third quarter from the second period, as strong imports and a high Australian dollar eroded the country's trade balance, offsetting growth in consumer demand, government spending and inventories.

Economists said they expect stronger growth in the fourth quarter. But some say the Reserve Bank of Australia may slow the pace of its monetary policy tightening, possibly holding rates steady in February.

Australia's interest-rate moves are being closely watched globally, as it was one of the first countries to tighten monetary policy as the world shrugs off the economic slowdown. The RBA has raised rates three times since early October, making it the most aggressive central bank in the Group of 20.

RBA Deputy Governor Ric Battellino on Wednesday fueled expectations of a pause in rate increases, saying the central bank's goal of returning interest rates to more normal levels has been achieved, in part helped by commercial banks. Pointing to their higher interest rates for business loans, mortgages and deposits, Mr. Battellino said the 3.75% for the current cash rate—Australia's main policy rate—was doing the work that a cash rate of 4.75% did during the previous economic cycle.

"Taking these considerations into account, it would be reasonable to conclude that the overall stance of monetary policy is now back in the normal range, though in the expansionary segment of that range," he told a banking conference.

"Other things equal, if interest rates in the economy are rising relative to the cash rate, there is less need for the cash rate to rise," he said.

The Australian dollar fell against the U.S. dollar in midday trading and short-end bond yields fell to their lowest level in two weeks, following the central banker's remarks.

Mr. Battellino's comments come after the RBA said Tuesday in policy-meeting minutes that its increases in 2009 would give it "greater flexibility," at coming meetings.

Australian Treasurer Wayne Swan said that the third-quarter gross domestic product numbers are a reminder that growth momentum in the economy isn't yet self-sustaining.

"While economic conditions are clearly improving, today's national accounts show that Australia's economic recovery still has a way to go," he said in a statement.

Still, economists said the outlook for the economy in 2010 remains bright.

Su-Lin Ong, senior economist at RBC Capital Markets, said the third-quarter trade deterioration was largely due to rising import demand outstripping export growth, which in itself is some evidence of growing demand across the economy.

Negotiations for 2010-11 coal and iron contracts with Asian buyers appear to be positive for Australian exporters, putting the country back on track for expansion in coming years.

The growth in the third quarter meant the economy notched up its 19th consecutive year of expansion and the third consecutive quarter of growth.

Frederic Neumann, senior Asia economist at HSBC in Hong Kong, said the high imports that dragged down growth in the third quarter masked the fact that Australia is enjoying a natural-resources investment boom, while dwelling construction is rising.

Also confirming a mixed picture for the economy Wednesday was news of a strong rise in a leading index of growth. The Westpac-Melbourne Institute leading index of where the economy is headed in the next three to nine months grew at an annualized rate of 6.7% in October, compared with growth of 6% in September.

European business activity improves

By Ilona Billington

LONDON—European business activity rose again in December, but policy makers and economists continued to cite concerns that the recovery could slow in coming months.

The Markit economic-research firm, which compiles a survey of purchasing managers from the 16 euro-zone economies, reported Wednesday that the region's manufacturing reading rose to 51.6 in December from November's 51.2. The service-sector index was also higher, at 53.7 from 53.0 in November.

The broad-based gain lifted the composite index to a 26-month high of 54.2 in December from 53.7 a month earlier. A level above 50 signals an expansion in activity, while a level below 50 signals a contraction.

"The euro-zone economy is ending 2009 on a positive note, with business activity and new orders both growing at the fastest rates for over two years in December," said Chris Williamson, chief economist at Markit.

Still, the European Central Bank and European Union remain cautious about unwinding stimulus packages. Although it is beginning to dismantle its monetary stimulus this week, the ECB has warned of a slow and bumpy comeback for economic activity.

French Budget Minister Eric Woerth on Wednesday said, "We've taken a streak of measures to boost the economy. If we stop them, we risk seeing things plunging back," he said. "The real risk for public finances is that the economy falls back into a crisis."

—Gabriele Parussini in Paris contributed to this article.

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Banking on Asia interest in nostalgia

Memorabilia market lags behind the West. But for how long?

By Duncan Mavin

Las Vegas-based memorabilia auctioneer Darren Julien says the future of his nostalgia-themed industry lies in Asia. So when the management of new Macau casino Ponte 16 paid US$420,000 last month for a collection of effects from late pop star Michael Jackson that he had auctioned off in New York, Mr. Julien delivered them in person.

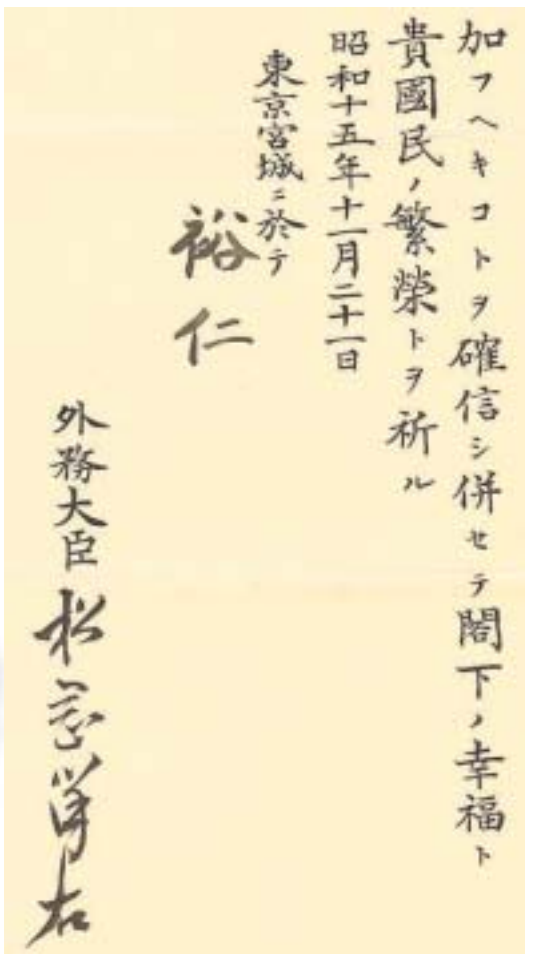
"Asia definitely has the most potential of any region in the memorabilia market," he says, after delivering a collection that includes a pair of diamond studded socks, a ragged costume from the "Thriller" video, and a white, diamond-soaked glove the late singer wore as he moonwalked across television screens in a 1983 Motown special. "We're really focused on developing this market right now."

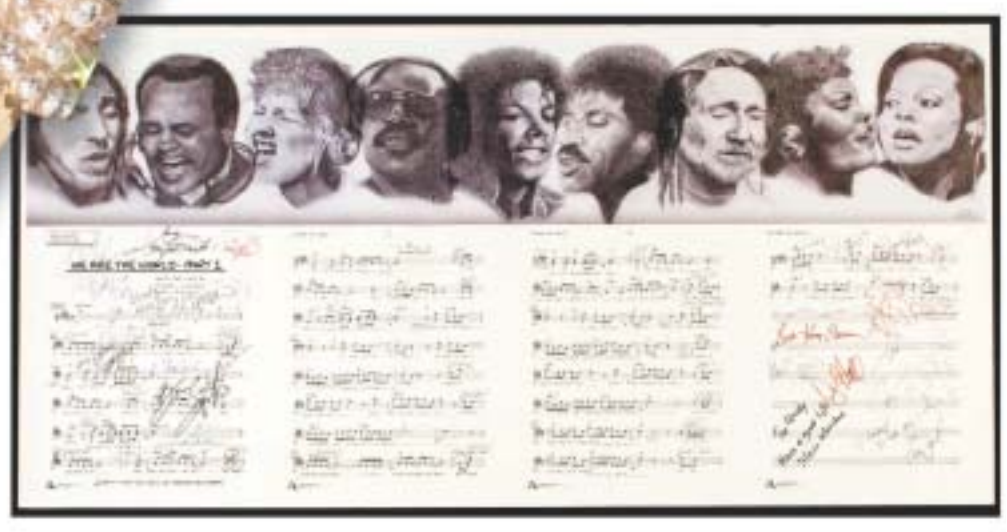
Precise figures for the size of the global market for memorabilia—a rough term that includes autographs and artifacts from historical figures to modern celebrities, and whose buyers range from serious fans to even more serious investors—are tough to come by. Insiders estimate around $50 million changes hands annually, depending on what comes to market, with so-called blue chip pieces—items connected to global icons like Madonna or Charlie Chaplin, or historically important figures like Winston Churchill—boosting sales in any given year.

In Asia, the market for memorabilia lags far behind that of the West, according to most in the industry. While in recent months wealthy Asian buyers have bid record sums to capture rare wines, prized art, sought-after stamps and more, the region's memorabilia market has yet to make the same sort of impact. The Asian outposts of major auction houses Sotheby's, Christies and Bonham's have no specialists on memorabilia in the region and refer questions on the market to their London, New York or Los Angeles offices.

Also, the desirability of memorabilia from Asia has yet to match the West. Notes jotted down by Bruce Lee or the signature of Emperor Hirohito—sought after by enthusiasts of martial arts movies and by collectors of artifacts from World War II respectively—are the exceptions to a paucity of interest in Asia-themed memorabilia. Sonny Yeung, chief executive of the Ponte 16 casino and a self-confessed Michael Jackson "super fan," says his firm

Michael Jackson's white glove from his 1983 performance of 'Billie Jean' at the Motown 25 television special where he performed the Moonwalk for the first time.



An official diplomatic letter Emperor Hirohito sent to the newly elected President of Bolivia.

A 'We Are the World' signed poster and drawing by Elsie Simerman of musicians in the supergroup 'USA for Africa' who recorded the song.

Shaan Kokin/Julien's Auctions (Michael Jackson); Stanley Gibbons/Fraser's Autographs (Hito)

"has no such plan" to collect items more directly linked to Asia the way it has with the U.S. pop star .

"The market in Asia is still quite young," says Geoff Anandappa, of London-based stamp and autograph broker Stanley Gibbons.

But it will grow quickly, he says, due to rising disposable income, improving access to auctions via the Internet, the more widespread use of credit cards, and increased exposure to Western media. On a recent visit to the region, he promoted to financial advisers the broker's investment products, which are backed by memorabilia. An average investment of about £35,000, or $57,000, buys a portfolio of autographs and the like, which Stanley Gibbons commits to buy back after 10 years at a minimum guaranteed return of 5% per year.

Lam Thuy Vo/The Wall Street Journal

Darren Julien, CEO of Julien's Auctions.

"The demand for collectibles from Asia will drive the market in the rest of the world," says Mr. Anandappa.

Mr. Anandappa and others in the collectibles industry say that memorabilia should be only a part of an investment portfolio. Most investors are also fans who like to display their investments in glass cases in their homes or offices, he adds.

Interest among Asian buyers has been growing, according to some memorabilia specialists. Matthew Paton, a spokesman for Christie's in London, says the venerable auction house has seen "a steady increase in Asian participation" at its South Kensington venue, which focuses in part on film memorabilia and posters. The proportion of winning bidders at the venue that come from Asia has almost doubled in the past two years, he says.

Mr. Julien—whose eponymous, 10-year old auction house has sold Marilyn Monroe's phonebook, Elvis Presley's microphone, and Bono's sunglasses—says he first noticed a growing interest from Asia five years ago.

"Japanese media would come to cover the bidding at our Vegas auctions, and clients from Asia would fly in to attend in person, whereas buyers in New York just phoned in their bids. The people from Asia really wanted to educate themselves about the market," he says.

Today, up to 50% of those in attendance at Julien's U.S. auctions come from Asia, Mr. Julien adds.

Whether this interest will develop into a homegrown market for Asian memorabilia remains to be seen. Buyers from Asia are focused on memorabilia's investment potential, and that means they are more likely to buy the "blue chip" pieces that are desirable in a global market, says industry observers.

"I'm sure there are some Asian celebrities that are collectible," says Mr. Julien. "But what makes them worth more is if there is interest from Wall Street, London, Moscow and elsewhere."

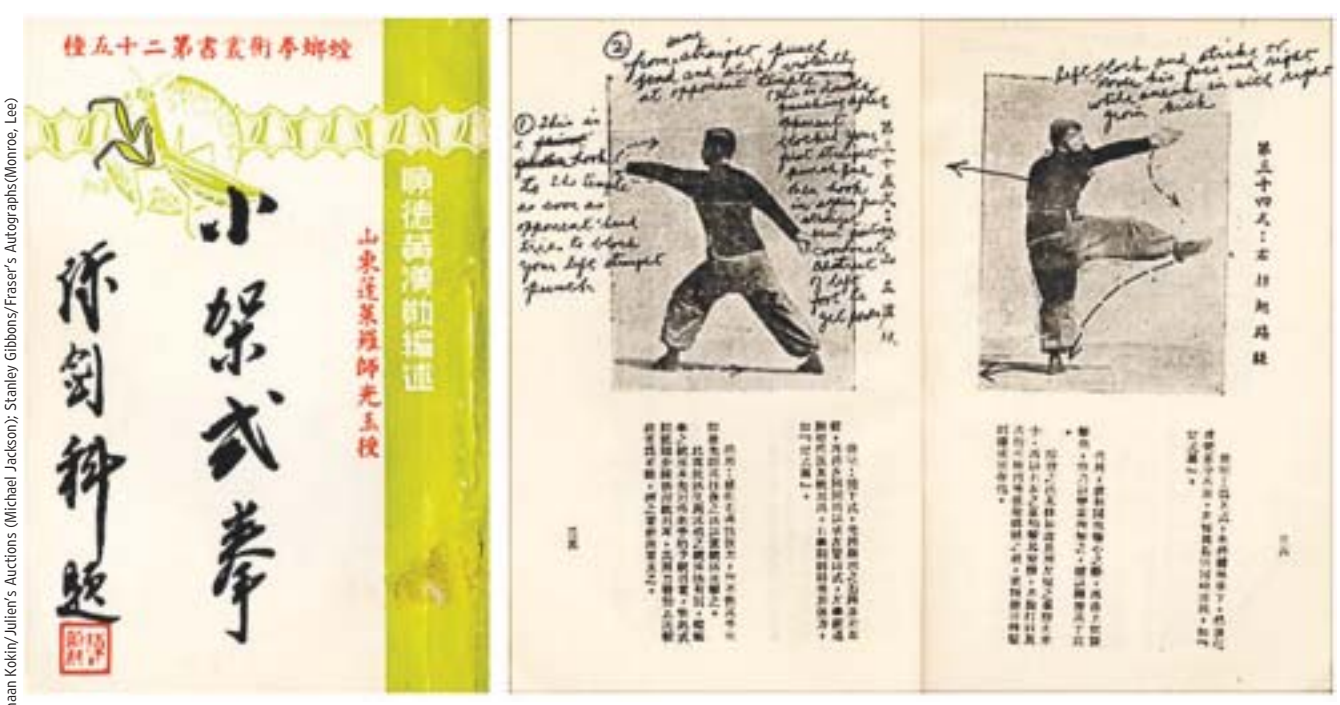
WSJ.com

Online today: See more photos of memorabilia from Michael Jackson, Marilyn Monroe and Bruce Lee at **WSJ.com/Asia**

The RIAA platinum record award, above, signed by Mr. Jackson, to commemorate the sale of more than 1,000,000 copies of 'Bad.' At right, the zombie suit the performer wore in 'Thriller.'

A 'Praying Mantis style' Kung Fu book bearing annotations, diagrams and graphs in Bruce Lee's hand.

A sepia-toned photograph of Marilyn Monroe, taken by the renowned photographer Cecil Beaton.



Shaan Kokin/Julien's Auctions (Michael Jackson); Stanley Gibbons/Fraser's Autographs(Monroe, Lee)

'The Vivid Pink' sold in Hong Kong for $10.8 million.

Christie's

Diamonds hold allure as gem of an investment

By Laura Santini

HONG KONG—Despite the financial meltdown, luxury assets such as wine and art are drawing strong interest from rich buyers, some looking at the goods as investments. Now, promoters of diamonds are hoping to add the precious stones to the investment mix.

Record sales at recent auctions, set by Asian bidders, is spurring talk of a surge in high-end diamond demand. Several investment funds focusing solely on diamonds have launched or are in the works and are hoping to take advantage.

Asian bidders, especially from mainland China, represent a growing presence at auctions, says Patti Wong, chairwoman of Sotheby's Asia. At a Sotheby's auction in New York City earlier this month, five of the top 10 buyers were Asian.

The most expensive item—a 30.48 carat oval diamond—went to a buyer from mainland China for approximately $4.11 million. At a Christie's auction in Hong Kong this month, a colored diamond, called "The Vivid Pink," sold for $10.8 million, setting a record for a gemstone of its kind.

It's unclear if the buyers were after the rocks for investment purposes or simply to enjoy. But proponents are hoping to turn diamonds—traditionally seen as ornaments—into wealth-accumulating vehicles.

The advent of online venues for trading polished white diamonds has improved price transparency needed to enhance liquidity and make possible the launch of diamond investment funds, says Saul Singer, principal of London-based Fusion Alternatives, a money manager specializing in diamond investing. (Polished white diamonds are the most commonly traded for investment purposes and serve as a sort of diamond benchmark.)

Fusion plans to start an investment fund, either as a listed vehicle on the London Stock Exchange's Alternative Investment Market for small companies or as a private equity-type fund. In March, Cayman Islands-based **KPR Capital** Ltd. created an open-ended diamond fund for investors willing to put up a minimum $250,000 in capital.

But investors should be cautious if they think diamonds will necessarily hold their value or appreciate. While Mr. Singer says increased demand in China and elsewhere has limited supply of some types of stones, he acknowledges that the diamond supply is dominated by a small, tight-knit group of diamond producers who carefully control supply, at times shutting down mines.

Others also caution buyers against acquiring diamonds solely for investment purposes. Ms. Wong of Sotheby's says that polished white diamonds may hold their value, but that trading in these gems for investment purposes remains unproven, as the retail trade is much larger. Diamond trading for investment purposes hovers between $500 million and $750 million annually compared to about $20 billion overall, according to Fusion's data.

INTERVIEW

Bloomberg News

'We need growth with equity, growth which is inclusive and growth that lifts everyone together,' says Salman Khurshid, India's minister for corporate affairs.

Fostering social responsibility

Corporate Affairs Minister Salman Khurshid aims to bridge the gap between 'corporate India and the rest of India'

India's Corporate Affairs Minister Salman Khurshid is New Delhi's man in charge of regulating the country's vibrant companies.

He took the position in May in the wake of the Satyam Computer Services Ltd.'s book-cooking scandal with the aim of promoting better corporate governance and ethics. Soon he hopes to see the Companies Bill become law. The bill replaces a 1956 law on how companies are run and revamps regulations on everything from mergers and acquisitions to insider trading to class-action suits.

Encouraging corporate social responsibility is another important job of the minister. Mr. Khurshid has been in the news lately for suggesting India could have an exchange for corporate social responsibility credits along the lines of carbon credits. He said the government might even extend tax incentives to companies for their non-business services to society in areas like helping with education, health and environment. The 56-year old Mr. Khurshid said in an interview with The Wall Street Journal's Krishna Pokharel that he aims to bridge the gap between "corporate India and the rest of India."

Edited excerpts:

WSJ: You have been encouraging inclusive growth and social responsibility in the corporate sector. What is the ministry doing to help companies work toward these goals?
Mr. Khurshid: Corporate social responsibility has to come both from within and from without. From within because it has to become part of corporate culture, especially in our country where we need growth with equity, growth which is inclusive and growth that lifts everyone together.

From the outside, we can create special incentives: fiscal advantage, special opportunities, benefits, state support and market support. I think a new generation of incentives could be provided for the right kind of growth, growth which is inclusive, growth which is responsible.

WSJ: What role do you envision for the corporate sector in India which is largely poor and rural?
Mr. Khurshid: Today, we have a huge number of people involved in agriculture but there is very little corporate involvement in the sector. Some 18% of our GDP comes from the agriculture sector whereas it involves 80% of our population. Obviously, that needs to be corrected. Our GDP from agriculture has to grow. Value addition in agriculture has to grow. If that is to happen—with better remuneration for agriculturalists without backbreaking costs to consumers—then we need to involve the corporate sector.

How that can be done is again a very big challenge. We have the cooperative sector, which is in sugar, for instance, doing a massively important job in states like Maharashtra and so on. But can we extend that to other areas as well, other states and other sectors, other than sugar cane? Then we should think of what kind of interface we can provide between the small Indian farmer and the corporate sector. I think this is the big challenge and the big question.

WSJ: How would you define the ideal Indian corporation?
Mr. Khurshid: Well, there are lots of models available. I think it would be unfair for me to say which is the right one. Periodically, among themselves, companies recognize leaders. Certainly, through business organizations there is a periodic interface between us and them. We asked Mr. J.J. Irani [director of Tata Sons Ltd.] to head the committee on reform of the Companies Law that wrote the report that became the basis of the legislation that is now before Parliament so you can see where our recognition lies.

Gradually, systems will develop by which we can start selecting role models. I can tell you that we are impressed when someone like ITC Ltd. sets up triple bottom line institutions. When somebody commits to Millennium Development Goals, when somebody commits to the best practices in CSR, when somebody goes out and does something which is directly leading to a better profile as far as climate change is concerned, these would be very significant things.

WSJ: Do you think India needs legislation on business ethics?
Mr. Khurshid: Whether we need to have legislation or not, it's too early to say. We are now talking about greater disclosure, greater participation of shareholders, better structures, higher responsibility, awareness about your responsibility, etc. This is what the Companies Bill will do but the bill is not the last step. There will be other steps to be taken, but let's take the first step.

WSJ: Does the ministry keep track of how much companies are investing in corporate social responsibility?
Mr. Khurshid: Yes, but only roughly. There have to be compulsory disclosures. If there are compulsory disclosures in your balance sheets and in your annual reports then all this will be easy to monitor. Right now you have to ask, or a company must feel proud of what it has done before it discloses. There are no separate CSR disclosures yet required as far as the law is concerned.

People might want to put it in their annual reports. But there is today no automatic monitoring process of this. When I talk about carbon credits and similar corporate social responsibility credits, it means you will have to create institutions and structures to be able to do that. We will have to give it substance, we will have to make it measurable, we will have to make it deliverable and we will have to make it exchangeable. All these things we will have to discuss. It's too early to say that's exactly what it will be. A CSR exchange is a new idea. I see no reason why India should always follow what others have done. We want to create something which others must follow.

WSJ: How do you think the Satyam fiasco changed the corporate culture in India?
Mr. Khurshid: It was a wake-up call on certain issues but I don't think that we were in such a deep sleep that we didn't know what could go wrong. The Companies Bill already provides for many things that we have discovered from Satyam crisis. But chronologically, the bill was drafted but not enacted. If it had been enacted at that time, then we might have prevented Satyam.

WSJ: By when will the new Companies Bill be enacted?
Mr. Khurshid: Hopefully in the coming year.

The Audacity of Debt

At least someone in America isn't feeling a credit squeeze: Uncle Sam. This week Congress will vote to raise the national debt ceiling by nearly $2 trillion, to a total of $14 trillion. In this economy, everyone de-leverages except government.

It's a sign of how deep the fiscal pathologies run in this Congress that $2 trillion will buy the federal government only one year before it has to seek another debt hike—conveniently timed to come after the midterm elections. Since Democrats began running Congress again in 2007, the federal debt limit has climbed by 39%. The new hike will lift the borrowing cap by another 15%.

There is surely bipartisan blame for this government debt boom. George W. Bush approved gigantic spending increases for Medicare and bailouts. He also sponsored the first ineffective "stimulus" in February 2008—consisting of $168 billion in tax rebates and spending that depleted federal revenues in return for no economic lift.

Democrats ridiculed Mr. Bush as "the most fiscally irresponsible President in history," but then they saw him and raised. They took an $800 billion deficit and made it $1.4 trillion in 2009 and perhaps that high again in 2010. In 10 months they have approved more than $1 trillion in spending that has saved union and public jobs but has done little to assist private job creation. Still to come is the multitrillion-dollar health bill and another $100 billion to $200 billion "jobs" bill.

We've never obsessed over the budget deficit, because the true cost of government is the amount it spends, not the amount it borrows. Milton Friedman used to say that the nation would be far better off with a budget half the current size but with larger deficits. Mr. Obama and his allies in Congress have done the opposite: They have increased the budget by 50% and financed the spending with IOUs.

> Comparing today's deficits to those in the 1980s.

Our concern is that the Administration and Congress view this debt as a way to force a permanently higher tax base for decades to come. The liberal grand strategy is to use their accidentally large majorities this year to pass new entitlements that start small but will explode in future years. U.S. creditors will then demand higher taxes—taking income taxes back to their pre-Reagan rates and adding a value-added tax too. This would expand federal spending as a share of GDP to as much as 30% from the pre-crisis 20%.

Remember the 1980s and 1990s when liberals said they worried about the debt? We now know they were faking it. When the Gipper chopped income and business tax rates by roughly 25% and then authorized a military build-up, Democrats and their favorite economists predicted doom for a decade. The late Paul Samuelson, the revered dean of the neo-Keynesians, expressed the prevailing view in those days when he called the Reagan deficits "an all-consuming evil."

But wait: Those "evil" Reagan deficits averaged less than $200 billion a year, or about one-quarter as large in real terms as today's deficit. The national debt held by the public reached its peak in the Reagan years at 40.9%, and hit 49.2% in 1995. This year debt will hit 61% of GDP, heading to 68% soon even by the White House's optimistic estimates.

Our view is that there is good and bad public borrowing. In the 1980s, federal deficits financed a military buildup that ended the Cold War (leading to an annual peace dividend in the 1990s of 3% of GDP), as well as tax cuts that ended the stagflation of the 1970s and began 25 years of prosperity. Those were high return investments.

Today's debt has financed . . . what exactly? The TARP money did undergird the financial system for a time and is now being repaid. But most of the rest has been spent on a political wish list of public programs ranging from unemployment insurance to wind turbines to tax credits for golf carts. Borrowing for such low return purposes makes America poorer in the long run.

By the way, today's spending and debt totals don't account for the higher debt-servicing costs that are sure to come. The President's own budget office forecasts that annual interest payments by 2019 will be $774 billion, which will be more than the federal government will spend that year on national defense, education, transportation—in fact, all nondefense discretionary programs.

Democrats want to pass the debt limit increase as a stowaway on the defense funding bill, hoping that few will notice while pledging to reduce spending at some future date. Republicans ought to force a long and careful debate that educates the public. Ultimately, the U.S. government has to pay its bills and the debt limit bill will have to pass. But debt limit votes are one of the few times historically when taxpayer advocates have leverage on Capitol Hill. Republicans and Democrats who care should use it to discuss genuine ways to put Washington on a renewed and tighter spending regime.

"Washington is shifting the burden of bad choices today onto the backs of our children and grandchildren," Senator Barack Obama said during the 2006 debt-ceiling debate. "America has a debt problem and a failure of leadership. Americans deserve better." That was $2 trillion ago, when someone else was President.

Producer Price Jolt

The Federal Reserve's Open Market Committee met Wednesday in the U.S., and right on time. Tuesday's producer price report showed that wholesale business prices rose 1.8% in November, or a 6.3% annual rate over the past three months and 2.4% over the past year.

The news hit markets with a jolt, because investors have become accustomed to the Fed's assurances that it must keep interest rates at their current historic lows for an "extended period" because the only real economic risk is *deflation*. Investors reacted by sending bond prices down sharply, as they wondered if the Fed may have missed its bet and will have to change course sooner than it has advertised.

Fed Chairman Ben Bernanke is notoriously stubborn, at least when he's easing money. And no doubt someone at the Fed will point out that if you remove food and energy from Tuesday's report, then producer prices rose by only 0.5%. However, this is the same "core" price rationalization the Fed used earlier this decade to keep monetary policy too easy for too long. Deflation was another siren song that the Fed used in 2003 and 2004 to build the credit mania that led to the bubble, the blowoff and recession.

Like $1100 gold and $70 oil amid weak global energy demand, the producer price report is a warning that the Fed should already have begun to move back to a non-crisis monetary stance. This does not mean "tightening" in any normal definition of that word. Moving from near-zero rates to 1% would not be moving to a restrictive policy. It is the equivalent of slowing down from 200 miles per hour to 180 or 160. A more careful monetary policy will help the Fed's credibility and reduce the chances that the recovery is later cut short by an abrupt shift in policy.

The Copenhagen Shakedown

The U.N. climate-change conference in Copenhagen was supposed to be the moment when the world came together to save us from an excess of carbon dioxide. Like all such confabs, it's coming down instead to cold, hard cash.

On Monday, the so-called G-77—in effect, the Third World—walked out of the talks for several hours in protest of the unwillingness, as they saw it, of rich countries to foot the bill for averting or mitigating climate catastrophe in the developing world. The negotiations have since resumed, but with the most difficult questions set aside and expectations lower than ever.

More than anything else, Monday's walkout revealed the real reason that the developing world is in Copenhagen in the first place: They see climate change as a potential foreign-aid bonanza, and they are at the table to leverage the West's environmental angst into massive transfers of wealth.

In theory, the money is supposed to help poor countries pay for their transition to a carbon-neutral future. But the developed world has been pouring trillions of dollars into development aid in various forms for decades, with little to show for it. The reasons are well-known: Corruption, political oppression, government control of the economy and the absence of rule of law combine to keep poor countries poor. And those factors also ensure that most aid is squandered or skimmed off the top. Recasting foreign aid as "climate mitigation" won't change any of that.

> Developing countries understand the real costs of climate change.

Still, Copenhagen's fixation on who pays for these huge wealth transfers is instructive because it lays bare the myth that greening the global economy is a cost-free exercise. The G-77 scoffed at a European offer of €7.2 billion ($10 billion) over three years. Instead, the Sudanese chairman of the group, Lumumba Stanislaus Di-Aping, suggested in an interview with Mother Jones magazine that something on the order of a trillion dollars, or more, would be appropriate.

"The world's scientists and policy decision makers have publicly stated that this is the greatest risk humanity has ever faced," says Mr. Di-Aping. "Now if that's the case, it's very strange that $10 billion is considered adequate financing." Mr. Di-Aping deserves credit for taking the climate alarmists on their own terms and drawing consistent conclusions.

Dennis Meadows, one of the authors of the Malthusian 1972 classic "The Limits to Growth," also served up some climate honesty in a recent interview with Der Spiegel. "I lived long enough in a country like Afghanistan to know that I don't want us to have to live like that in the future. But we have to learn to live a life that allows for fulfillment and development, with the CO_2 emissions of Afghanistan." Mr. Meadows's chilling corollary: "If you want everyone to have the full potential of mobility, adequate food and self-development, then . . . one or two billion" people is about all the population the planet can sustain.

Given that the world's population is now about 6.8 billion people, that's not likely to happen. Nor is the developed world about to reinvent itself as a greener version of Afghanistan, much less fork over trillions of dollars to avert the supposed catastrophe it has done so much to trumpet. If the summit at Copenhagen achieves nothing else but to expose the disconnect between climate alarm and climate "solutions," it may even be worth it.

OPINION

The Backdating Molehill Revisited

[Business World]

By Holman W. Jenkins, Jr.

It pains us, naturally, to see our forecasts and premonitions borne out in such exacting detail in the government's backdating prosecutions—why didn't we take our moment of searing foresight to the dog track instead?

Tuesday a judge threw out, with resort to unceremonious language, criminal charges against Broadcom co-founder Henry Nicholas III.

Mr. Nicholas, a physically large man, with an erratic personality, and accused of patronizing drug dealers and prostitutes, must have seemed a prosecutors' dream, since he gave them so much to talk about besides the details of backdating, which when examined closely invariably lead careful reasoners to wonder: Where's the crime here?

Mr. Nicholas did not benefit from any backdated stock options. He was Broadcom's largest shareholder, thus had no natural or unnatural interest in overpaying employees with backdated stock options. The company's outside auditor also appears to have blessed the essential no-no here, which amounts to reading into accounting rules a logic and coherence that didn't exist at the time.

Associated Press

Broadcom co-founder Henry Nicholas III

The goal of backdating, it becomes clearer than ever, was to motivate employees at the lowest possible cost to shareholders. This was done by granting stock options that, at the date of issue, were "in the money"—because, it appears, Broadcom and hundreds of other Silicon Valley companies discovered in practice what a Nobel Prize in economics had discovered in theory: That people overvalue a seeming bird in the hand.

As far as we know, no court has gotten to the essential nullity of the backdating "wrong," but U.S. District Judge Cormac J. Carney seems to have gotten close. Less than a week earlier, he had thrown out the conviction of Broadcom co-founder Henry Samueli—who had pleaded guilty—saying he did not believe Mr. Samueli had committed a crime.

Tuesday he dismissed the remaining criminal charges against Mr. Nicholas and the company's former chief financial officer William J. Ruehle, saying the government's behavior had been "shameful," that it had made a "mockery" of a defendant's constitutional rights, and that prosecutors had "intimidated and improperly influenced" three crucial witnesses, including threatening one with prosecution if he repeated testimony already given to the SEC in a civil proceeding.

Now, call us cynical, but aren't threats often used against employees to turn them into friendly witnesses for the government? The judge complained that prosecutors had improperly leaked details of the investigation to the press—also unattractive behavior by government servants, but not exactly unusual.

Indeed, it's hard to escape the sense that such behavior was judged especially beyond the pale in this case because it was in the service of a prosecution that fundamentally never deserved to be brought.

To be sure, because of the incoherence of the applicable accounting rules, Broadcom had to take the biggest charge of any company to rectify its accounting for employee stock options: $2.2 billion. Investors would have understood, though, that this was not real cash, that indeed under then-regnant accounting rules Broadcom could have tried to give away the entire market cap of the company to employees without taking an accounting charge, had it simply issued "at the money" options instead of "in the money" options.

As we say, most backdating cases amount to companies trying to behave rationally amid irrational accounting rules, rather than the media's standard trope of businessmen a-lyin' and a-stealin'. Deep, rich and disappointing, then, is the irony of a recent decision by federal prosecutors to have a second go at another former Silicon Valley CEO, Gregory Reyes, of Brocade Communications.

Why are the prosecutions going so badly? Maybe because there was no crime.

All that distinguished the Brocade case from hundreds of other instances of backdating was a prosecutor's allegation that, in order to effect backdating, Mr. Reyes had misled the company's own finance department.

This was laughable, since the SEC was simultaneously charging two former heads of Brocade's finance department with participating in and profiting from backdating. The prosecution's sole witness on the vital point recanted almost as soon as she got off the stand, and a federal appeals court eventually overturned Mr. Reyes's conviction on grounds of prosecutorial misconduct.

Why a U.S. attorney in San Francisco would want to try Mr. Reyes again is a mystery to us, but maybe it's time for an investigation of backdating investigations.

We can't close without mentioning the exemplary diligence and enterprise with which, way back when, certain reporters and editors uncovered the backdating phenomenon, and then the intellectual sluggishness with which they analyzed it.

They found an interesting story (one that fit well under the current interest in behavioral economics) and then got it fundamentally wrong by insisting on shoving it into a procrustean off-the-shelf narrative of executive "greed."

Indeed, for want of a single paragraph explaining why backdating could be (in the words of a recent academic paper) a case of optimum contracting between companies and employees, we might have avoided the waste and injustice of these misguided backdating prosecutions.

U.S. Disarmament Is Dangerous for Asia

By Franklin C. Miller
And Andrew Shearer

Talk of nuclear disarmament is making a serious comeback. Just in the past week, President Obama received a Nobel Peace Prize for his work on the issue, and now yet another blue-ribbon commission—this one co-chaired by former foreign ministers of Japan and Australia—has issued a high-profile report calling for disarmament. The goal, of course, is superficially appealing and may even be achievable some day. But the United States, Australia, Japan and America's other Asian allies would be well advised to think twice before embracing the report.

The paper released Tuesday in Tokyo by the International Commission on Nuclear Nonproliferation and Disarmament is representative of international antinuke theology. Some of the ideas are useful, such as strengthening the International Atomic Energy Agency as a proliferation watchdog and beefing up safeguards and verification mechanisms. Creating international nuclear fuel banks and shared management of enrichment, reprocessing and spent fuel storage facilities would make nonproliferation sense as well as supporting civil nuclear power in energy-thirsty Asia.

But other suggestions would be dangerous. Capping U.S. and Russian arsenals at 500 warheads is unrealistic given today's world. An unequivocal "no first use" declaration would weaken American deterrence. And the recommendation that the Proliferation Security Initiative, currently a coalition of the willing to interdict nuclear shipments, be folded into the United Nations is a surefire way to neuter a successful tool.

The basic problem is that such efforts ignore the fact that the world is an unfriendly place. And no part of it looks more Hobbesian than Asia, riven with unresolved Cold War tensions, rapid advances in military capabilities and growing competition among rising powers. Some of those governments maintain and deploy nuclear weapons. Others want nuclear weapons, break their treaty commitments not to acquire them and will want them whether the U.S. has nuclear weapons or not. Look no further than North Korea.

This is why a credible U.S. nuclear deterrent is so important. This is partly a matter of self interest: Washington must prevent a major power from attacking America or seeking to coerce it with a nuclear threat. But it also needs to be mindful of the effects of U.S. nuclear policies on its Asian allies who face real threats—North Korea among the most pressing. The U.S. nuclear arsenal protects allies including Australia, Japan and South Korea, with whom America has treaty commitments. Not only does the U.S. nuclear deterrent shape the behavior of rogue nations such as North Korea toward these allies; the U.S. umbrella also removes the need for countries like Japan to seek nuclear weapons of their own.

America's nuclear deterrent remains the cornerstone of regional stability.

Maintaining an effective U.S. nuclear deterrent will become even more important in Asia as China works hard to close the conventional military gap. This should be one of the top priorities of the Obama administration's 2010 Nuclear Posture Review and should guide any response to Tuesday's high-profile report. Deterrence is about holding at risk what potentially hostile governments value. So the U.S. and its allies also must make every effort to understand the leadership of adversaries or potential enemies—a challenge particularly with respect to secretive authoritarian regimes.

The nuclear deterrent is not the only element of America's commitment to the region, of course. Forward-deployed U.S. forces—in South Korea, Okinawa and Guam—also contribute to security in Asia. So do combined exercises and missile defense systems. But the role of nuclear weapons is unique.

A credible U.S. nuclear deterrent means having an operational force, with capabilities for real operations and an operational plan. Washington also must retain forward-based systems in places where its allies view their presence as vital to their security—even if U.S. defense planners believe central strategic systems can do the job. Washington needs to maintain at least parity in strategic forces with Russia and must never allow those levels to fall to a point where allies believe the Russian or Chinese short-range nuclear arsenals will affect U.S. decision-making in a crisis.

The sages who crafted Tuesday's report paid too little attention to all these realities in the name of a nuclear "peace in our time." In his Nobel Peace Prize speech, President Obama proclaimed—rightly—that the U.S. has helped underwrite global security for more than six decades. He acknowledged that global stability rested on more than international treaties and declarations. The critical contribution of U.S. nuclear deterrence was left unspoken.

Additional reductions in the U.S. and Russian nuclear arsenals are possible and indeed desirable. But this disarmament game is dangerous. Potential enemies will be deterred, and allies assured, only if America is visibly confident in its nuclear posture. Asia's future stability and prosperity will depend far more on this than on airy dreams of disarmament.

Mr. Miller, a senior counselor at the Cohen Group, a Washington-based consultancy, worked at the Pentagon and National Security Council from 1979 to 2005. Mr. Shearer is director of studies and a senior research fellow at Australia's Lowy Institute for International Policy.

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"If I think of anything else, I'll tweet."

OPINION

The Case for Optimism on the Economy

By Alan S. Blinder

Corbis

The U.S. economy is digging itself out of a deep hole. You have probably heard a lot of doom and gloom lately, including talk of a jobless recovery, an L-shaped recovery (which means no recovery at all), or even a W—the feared double-dip recession. The Scrooges have a point: There are serious dangers to the nascent recovery. But you've heard all that many times. Let me offer instead, in deliberately one-sided fashion, the case for optimism. It is, after all, the holiday season.

The case begins with the "slingshot effect" I wrote about on the pages of The Wall Street Journal's U.S. edition in July. When the growth rate of any component of GDP rises, it gives overall GDP growth a boost. And going from sharply negative growth to zero is a notable rise. In July, the slingshot scenario was hypothetical—though likely. In today's economy, it's a real phenomenon.

During the first half of this year, the investment component of GDP declined at a stunning 38% annual rate. Since the investment share of GDP was then about 14%, this implosion accounted for minus 5.4 percentage points of GDP growth. But since overall GDP declined "only" 3.6% in those two quarters, the rest of GDP (the 86%) actually rose. It was a small but real reason for optimism in a stormy sea.

Then came the third quarter. Like a woozy prizefighter lifting himself off the canvas, the battered investment component of GDP managed to rise (at an 11% annual rate), which added 1.3 points to GDP growth rather than subtracting 5.4 points. That 6.7 point swing was the start of the slingshot effect, which is not yet over.

Investment has three components: business investment, inventory stocking, and homebuilding. Inventory stocks were still declining at near-record rates in the third quarter; they simply must level off within a few quarters because sales are rising and firms will not want to deplete their stocks indefinitely. Business investment remains 20% below its 2008 peak; its likely course is up, not down, because plants and equipment wear out. And housing? Well, you know. Homebuilding is still in the doldrums—limping along at less than half the level of 1960. The only way to go is up.

Of course, the investment slingshot won't last forever. Sometime in 2010, consumer spending must take over. And this is where the pessimists go into full throttle. Burdened by huge losses of both wealth and jobs, American households will start saving like mad, we are told. Sounds plausible, but it hasn't really happened. True, the average personal saving rate has risen to 4.5% of disposable income so far this year from 2.7% in 2008. That's higher, but a long way from the 8%-10% saving rates the doomsayers have foreseen. A saving rate near 5% is consistent with 3%-4% GDP growth in 2010.

The second major source of optimism is the amazing performance of productivity during the recession. To be sure, that performance had a downside: While real GDP was falling 3.7%, payroll employment dropped 5%, devastating many American families. But by definition, that discrepancy means that productivity—output per hour of work—rose substantially during the recession, which is pretty unusual.

The last two quarters were even more extreme: Productivity in the nonfarm business sector grew at a shocking 8.1% annual rate. There are two possible explanations. One: The last two quarters were among the most technologically innovative and entrepreneurial in the history of the United States. Two: Fearful businesses pared payrolls to the bone. If the second is closer to the truth, payrolls are extraordinarily lean right now. Which means that firms will need to hire more workers as their sales and production grow. Which means that employment may start growing sooner than the pessimists think.

I have been pointing this out for months, but until the last employment report, it was a hypothesis supported by no evidence. Not anymore. While payrolls continued to decline in November, it was by only a scant 11,000 jobs; and the job counts for September and October were revised upward. The data now show a clear trend that suggests that net job creation may be only a month or two away. We'll see.

There is more to the case for optimism. For one thing, less than 30% of February's $787 billion fiscal stimulus has been spent to date; over 70% is still in the pipeline. Pessimists dote on the fact that the rate of increase of stimulus spending has probably peaked and will be lower in 2010. True. But the level of GDP will continue to get support from fiscal policy, and a second job-creation package ("Please don't call it a stimulus!") looks to be in the works.

Then there is the Federal Reserve's stupendously expansionary monetary policy. It is well known that interest rates work on the economy with long lags. But the Fed's last rate cut came a year ago. So isn't the monetary policy pipeline empty? The answer is no, for at least three reasons. First, history suggests that the time lag is closer to two years than to one. So even the normal policy lags are not over.

The credit markets are healing and net job creation may be only a month or two away.

But second, and more important, the lags are likely to be abnormally long this time around. As long as the economy's credit-granting arteries were blocked, they could not carry the Fed's lower-interest-rate medicine into the economy's bloodstream. Sadly, some of these arteries remain blocked today—such as for small business lending. But the Fed, Treasury, FDIC and others have created a bewildering variety of stents and bypasses to get credit flowing again. The credit markets are now healing, though slower than we would like. Hence there is still monetary stimulus in the pipeline.

And third, the Fed continues to inject more medicine. Not by cutting interest rates, of course. Zero is as low as you can go, and the Fed arrived there a year ago. But "quantitative easing" is still in play. One example is the mortgage-backed securities (MBS) purchase program, which is adding MBS to the Fed's balance sheet and providing vital support to the mortgage market. Yes, the Fed has begun to think about its exit strategy. But that is for the future, not for now.

* * *

I warned at the outset that I would present a deliberately biased case. So let me admit, once again, that serious downside risks remain. The investment slingshot and the fiscal stimulus will both peter out in 2010. Consumer finances and confidence are shaky. Banks are still failing and commercial real estate is a mess. We cannot count on exports to pull us out of this slump. All true. And all reasons not to expect the kind of exuberant boom that typically follows a deep recession—such as the 7.7% growth spurt in the six quarters following the 1981-82 slump. No one expects that.

So my optimism is guarded. The 3%-4% growth rate that I anticipate for the rest of this year and for 2010 is a lot worse than 7.7%, to be sure. But compared to what we've been through, it will feel a whole lot better.

Mr. Blinder, a professor of economics and public affairs at Princeton University and vice chairman of the Promontory Interfinancial Network, is a former vice chairman of the Federal Reserve Board.

North Korea's Four-Party Ploy

By Gordon G. Chang

When Barack Obama campaigned for office, he famously said he'd be happy to meet in person with the planet's worst autocrats, such as North Korea's Kim Jong Il. Although he hasn't yet sat down with Chairman Kim, he has taken the United States down a new path of engagement with the Pyongyang regime: On Sunday, South Korea's Yonhap News Agency reported that the U.S. and North Korea have agreed to resume the four-party talks to formally end the Korean War.

Everyone wants peace in North Asia, and a formal end to the Korean War would remove many of the causes of turmoil there. But now may be one of the worst moments to resume the four-party process. By proposing a revival of the troubled negotiations at this time, Pyongyang is up to no good.

The North Koreans suggested the revival of the Korean War talks last week during the visit of U.S. special envoy Stephen Bosworth to Pyongyang. The previous round of negotiations to reach a peace agreement, which would replace the 1953 armistice, stalled in 1999 over Pyongyang's objection to the participation of arch-enemy South Korea, which did not sign the 1953 cease-fire.

By raising this now, the North Koreans have managed to switch the topic of multilateral negotiations from disarmament to something else. Mr. Bosworth's original mission in Pyongyang was to restart the stalled six-party talks to "denuclearize" the North—the most important agenda item for the U.S. in North Asia. The North, in violation of its obligations under the Nuclear Nonproliferation Treaty, has maintained a covert nuclear weapons program for decades, perhaps since the late 1960s. It has tested nuclear devices twice, in 2006 and in May 2009. The six-party talks, sponsored by Beijing, have produced a series of agreements, but they have so far failed to disarm the militant North Korean state.

Washington is allowing Kim Jong Il to unravel the six-party talks and exclude Japan.

But now the North Koreans have, in one master stroke, complicated matters by raising an entirely new set of issues. The six-party process, which began in 2003, was difficult enough. The disarmament talks will be even harder to conclude successfully because of the multiplication of issues being discussed in parallel tracks of negotiations.

The North Koreans' proposal for four-party talks also succeeds in starting to unravel the loose coalition the Bush administration stitched together to disarm North Korea. The four-party talks exclude two nations that participate in the six-party process, Russia and Japan. The Russians have never taken the disarmament discussions seriously, remaining apart from the negotiations in all but name.

The Japanese, however, have played a crucial role. In fact, Japan has adopted a sterner approach to North Korea than anyone else in the last three years. Tokyo's diplomats, for instance, worked hard to make sure Washington did not buckle under Chinese pressure while the U.N. Security Council considered imposing sanctions on the North.

And that is part of the reason why Pyongyang wants the Japanese out of the picture. With Japan gone, the U.S. loses an important negotiating ally. Moreover, the exclusion of two countries from the bargaining table gives North Korea an opportunity to employ its classic tactic: divide the powers it faces. Kim has tried to kill the six-party talks from the beginning because he does not want to confront all his adversaries in the same room.

Yonhap reports that the four-party process will not begin until the six-party one resumes. Yet North Korea will undoubtedly maneuver the two negotiations so that the disarmament talks fall away while the peace-treaty talks proceed. Kim has already made the argument that he cannot give up his weapons until there is a lasting peace on the Korean peninsula. In the months ahead, expect Kim to announce that a formal end to the Korean War is a precondition to a six-party deal.

Another danger is that the four-party talks pave the way for Washington and its allies to provide material assistance, should the talks succeed. But in recent years North Korea has become less amenable to giving up its nukes once it has received international support. And the U.S. should be especially wary of propping up the Pyongyang regime right now: The North Korean economy looks like it is in turmoil, especially after the botched demonetization of paper currency two weeks ago resulted in popular unrest across the country.

By agreeing to the four-party talks, Washington has fallen for an oft-used North Korean ploy. The U.S. has also given up an important advantage by permitting the North Koreans to exclude the Japanese. The prospects for peace in North Asia just got smaller.

Mr. Chang is the author of "Nuclear Showdown: North Korea Takes On the World" (Random House, 2006).

Brody Mullins/The Wall Street Journal

Tennessee Democratic Rep. John Tanner, bottom left, led a trip to Edinburgh. While in Scotland, the House members toured historic buildings, such as Edinburgh Castle, above. Some shopped for Scotch whisky and visited the hotel spa. They capped the trip with a dinner at one of the region's finest restaurants, paid for by the legislators, who got $118 daily stipends for meals and incidentals.

U.S. Congress travels more, constituents pick up the tab

Lawmakers ramp up taxpayer-funded journeys, spending $13 million last year; Air Force flights not included

Getty Images

By Brody Mullins And T.W. Farnam
Edinburgh

THE EXPENSES racked up by U.S. lawmakers traveling here for a conference last month included one for the "control room."

Besides rooms for sleeping, the 12 members of the House of Representatives rented their hotel's fireplace-equipped presidential suite and two adjacent rooms. The hotel cleared out the beds and in their place set up a bar, a snack room and office space. The three extra rooms—stocked with liquor, Coors beer, chips and salsa, sandwiches, Mrs. Fields cookies and York Peppermint Patties—cost a total of about $1,500 a night. They were rented for five nights.

While in Scotland, the House members toured historic buildings. Some shopped for Scotch whisky and visited the hotel spa. They capped the trip with a dinner at one of the region's finest restaurants, paid for by the legislators, who got $118 daily stipends for meals and incidentals.

Eleven of the 12 legislators then left the five-day conference two days early.

The tour provides a glimpse of the mixture of business and pleasure involved in legislators' overseas trips, which are growing in number and mostly financed by the taxpayer. Lawmakers travel with military liaisons who carry luggage, help them through customs, escort them on sightseeing trips and stock their hotel rooms with food and liquor. Typically, spouses come along, flying free on jets operated by the Air Force. Legislative aides come too. On the ground, all travel in chauffeured vehicles.

The lawmakers were in Scotland to meet with foreign officials and attend a conference of U.S. and European legislators called the NATO Parliamentary Assembly. A spokesman for Tennessee Democratic Rep. John Tanner, the leader of the delegation of eight Democratic and four Republican House members, said the conference provided "the opportunity to learn first-hand the views and concerns that other countries have over the key security issues of the day."

Such gatherings also allow legislators to meet "members of parliaments who play important roles in their own countries in shaping the security agenda that their governments pursue at NATO," added Mr. Tanner's spokesman, Randy Ford. As for the three rented rooms not used for sleeping, these provided a "secure space for members to conduct meetings," he said.

Lawmakers take scores of overseas trips each year to visit military bases, meet foreign officials, attend conferences and see how U.S. funds are spent. Ever since a corruption scandal in 2005 led to restrictions on privately funded travel, legislators have been taking more trips paid for by the government.

The cost they reported for such travel abroad was $13 million in 2008, a 70% jump from 2005, according to a Wall Street Journal analysis of travel records. Lawmakers don't have to report the cost of domestic travel when the government pays. The $13 million didn't include the expense of flying on Air Force planes, which lawmakers

don't have to disclose.

Over the 2005-08 period, the cost of legislators' privately funded travel, both domestic and overseas, fell 70%, to $2.9 million, according to LegiStorm.com, a Web site that tracks it.

Lawmakers must reveal only general information about the travel, such as countries visited. Several weeks after a trip, they report the overall cost, without a detailed breakdown. This account of congressional travel is based on trip itineraries provided by lawmakers, meeting schedules and what two Journal reporters saw. Mr. Tanner's office and other lawmakers confirmed many details of the account and didn't dispute the others.

The blending of business and pleasure on the trip to Scotland was typical, aides and lawmakers say. In August, two Republican senators, Richard Shelby of Alabama and John Cornyn of Texas, went to Europe with their wives and aides to meet with banking regulators and industry executives. Military officials picked up Mr. Shelby's luggage at his office. A separate government car drove him and his wife to the airport. "That is typically how the military handles departures on congressional delegations," said a spokesman for the senator.

His spokesman, Jonathan Graffeo, said the trip's chief purpose was to discuss with foreign officials the global financial crisis and regulatory reform. The senators spent the first five days in Germany, where they had three meetings with banking officials, according to an itinerary and Mr. Graffeo. They also were briefed on port security and had dinner with industry and government officials.

Among side trips they took were two tours in vans driven by U.S. Embassy staff, including one along the Rhine, where they stopped at a heavy-metal festival. The trip cost about $70,000, according to a travel disclosure form filled out by the senators. A spokesman for Mr. Cornyn declined to comment.

In September, five senators went to England for four days to attend a conference with British lawmakers. The senators and four of their wives stayed at the Danesfield House Hotel & Spa overlooking the River Thames, in $340-a-night rooms, according to an itinerary and the office of the group leader, Democratic Sen. Patrick Leahy of Vermont.

One evening, they took a riverboat cruise on the Thames, paid for by their British hosts. Another day, they had a private tour of Windsor Castle, said David Carle, a spokesman for Mr. Leahy.

While the senators attended the conference, their wives shopped and toured Cliveden Manor, a home once owned by the Astor family. There they had a traditional English cream tea that cost $40 a person. The tea was paid for by the British government, according to Mr. Carle.

It is "useful for our leaders to talk with other countries' leaders, and it's fitting that the Senate's oldest exchange program is this one, with the British Parliament," Mr. Carle said. He said there are "social and cultural components...and the hosts try to make them interesting as well as practical."

The conference attended by Mr. Tanner's group in Scotland, the NATO Parliamentary Assembly, isn't affiliated with the North Atlantic Treaty Organization. It provides a forum for lawmakers from NATO countries and several others to discuss security and political and economic matters, its Web site says.

The group flew on a passenger plane provided by the Air Force. Accompanying them were five legislative aides and the spouses of nine of the 12 House members.

Lawmakers say traveling with spouses compensates for being away from them at lot in Washington. Rep. David Scott (D., Ga.) sees his family on weekends and often attends public events during that time, "so having a spouse travel helps keep the family together," said his chief of staff, Michael Andel.

In Edinburgh, the lawmakers stayed at the Sheraton Grand Hotel & Spa. With "state-of-the-art spa and leisure facilities including a rooftop indoor/outdoor pool," says Frommer's guidebook, "this hotel pretty much has it all."

(clockwise from top left) Associated Press (2); T. W. Farnham/The Wall Street Journal; Brody Mullins/The Wall Street Journal

Members of Congress who went to Scotland for a conference also saw the sights. Clockwise from top left, the Palace of Holyroodhouse, Rosslyn Chapel, their Air Force plane, and arriving back in Washington.

The group stayed in top-floor rooms overlooking the 12th-century Edinburgh Castle. The government rate for the rooms is at least $300 a night, according to the hotel. On top of that was the control room of three adjoining rooms stripped of beds. Lawmakers and aides say a control room is necessary to provide work space, meeting rooms and easy access to American-style food.

Two Air Force liaisons went to a wine and liquor store called Oddbins. With one aide reading from a shopping list for scotch, they bought three bottles of 12-year old Auchentoshon for $42 apiece and a bottle of 14-year old Clynelish for $52, according to the clerk who rang up their order. Mr. Tanner's spokesman said the group reimbursed the military liaisons.

The overall cost to the government of the trip won't be public for a few weeks. Mr. Tanner has taken seven previous trips to the NATO assembly. Their total reported cost, for him and his co-travelers, came to $575,000, not including the undisclosed cost of travel on Air Force planes.

Mr. Tanner is a founder of the Blue Dog Coalition, a group of conservative Democrats dedicated to curbing government spending and balancing the budget. On his Web site is a ticker keeping tabs on the national debt. Five of the eight Democrats on the trip were Blue Dogs.

The conference ran Friday through Tuesday. Everyone except Mr. Tanner skipped the last two days. Two of the lawmakers, including Mr. Tanner, aren't seeking re-election next year.

The first day there were meetings of the NATO organization's leadership. Half of the legislators, not being in the leadership, instead traveled with a group of spouses to Glasgow. There, according to a spokesman for one House member, they met with some Scottish officials.

Rep. Carolyn McCarthy (D., N.Y.) attended the conference in Edinburgh on Friday but left at 4:30 p.m. and went to the spa. On Sunday, the third meeting day, she spent some time in the afternoon walking around Edinburgh and shopping at the House of Fraser, a department store.

Ms. McCarthy said she paid for the spa treatment herself and went "partly due to the fact that over the summer I underwent major back surgery." She also said her back "tightens up and I need to go for walks from time to time to stretch it out." On one such walk, she said, she passed the department store and purchased a few items.

While in Edinburgh, the lawmakers visited the Scottish Parliament to meet with officials and tour the building. They visited Edinburgh Castle for more meetings and another private tour. They also toured Rosslyn Chapel, a 500-year-old church featured in Dan Brown's novel "The Da Vinci Code."

They dined at the 900-year-old Palace of Holyroodhouse, the Queen's official residence in Scotland. A bagpiper played as they stepped off the bus. The U.K. government paid for the dinner, Mr. Tanner's office said.

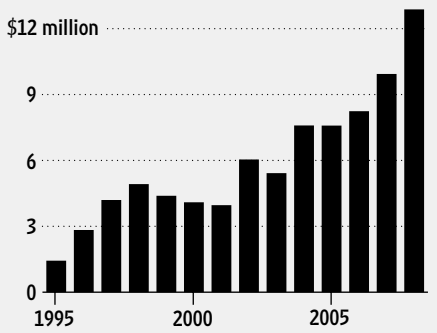
The group had a bus and a Mercedes minivan at their disposal for touring, shopping trips and transportation to dinners and the conference. The quoted rate for the two vehicles and their drivers is $2,500 a day.

On Sunday evening, the last night for most of the lawmakers, they, their spouses and the congressional aides were seated in a private dining room at the Rhubarb restaurant, which has been described in the Sunday Times of London as "the preferred destination for cash-flash celebrities." For a private dinner, the restaurant offers dishes including grouse with sauerkraut and prunes with Armangnac for $54 and a 12-ounce Chateaubriand steak with béarnaise sauce and Madeira jus, for two, at $106. Mr. Tanner's spokesman said the lawmakers paid with their own money.

"That was awesome," Rep. Jo Ann Emerson (D., Mo.) said to one of her companions afterward. A spokesman for Ms. Emerson said he didn't know what such a remark would have been about and couldn't confirm it.

Flying higher

Taxpayer-funded overseas travel for lawmakers and staff



Source: WSJ analysis of Congressional Record

Note: Doesn't include cost of flying on passenger planes provided by Air Force.

Early Monday morning, military escorts helped the 11 who were leaving early to check out, while hotel staff loaded a truck with luggage and shopping purchases. The hotel billed the delegation $200 for hauling suitcases and suit bags, seven brown boxes, a liquor box and a large white cooler.

An hour later, the lawmakers' bus left for the airport with everyone except Mr. Tanner and two aides, who were staying for the last two days of the conference. The bus drove directly to an Air Force DC-9 waiting on the tarmac. After they landed in the U.S., a van and a bus brought them back to Capitol Hill.

The lawmakers, spouses and aides chatted in front of the Rayburn House Office Building. Rep. Baron Hill (D., Ind.) hugged Georgia Rep. Scott's wife and said: "It was fun."

A spokeswoman for Mr. Hill said the congressman doesn't recall making the comment and could have been "talking about the bus ride, some random event or life in general." Mr. Scott's spokesman said Mr. Hill was "just saying goodbye."

FOCUS ON AFGHANISTAN

Surge to stress safety

General says U.S. will secure volatile corridor, revamp troubled police

By Yaroslav Trofimov

HERAT, Afghanistan—The troop surge in Afghanistan will focus on expanding and connecting safe areas of the country, and on revamping the troubled Afghan police, the U.S.-led coalition's day-to-day commander said in an interview.

U.S. Lt. Gen. David M. Rodriguez outlined Tuesday how the surge would unfold, in the most specific terms since President Barack Obama authorized early this month the dispatch of 30,000 extra American troops to Afghanistan. Asked how he would measure success a year from now, he said the crucial marker would be opening up insurgent-infested roads between Afghanistan's agricultural heartland in Helmand province and the Pakistan border.

"There are pockets of security—but they are not connected," Gen. Rodriguez, who heads the newly established International Security Assistance Force Joint Command, said during a visit to Herat. "Afghan people need, in addition to being secure, to be able to move to places that are important to them, such as to sell farm produce. We've got to be able to expand the secure areas for the people, and improve their freedom of movement."

Mr. Obama authorized the additional U.S. troops to join some 70,000 already here after the coalition's overall commander in Afghanistan, U.S. Gen. Stanley McChrystal, warned in August of possible mission failure amid a spreading Taliban-led insurgency. Allied nations have also pledged several thousand extra troops.

The president set mid-2011 as the deadline for beginning the drawdown of American forces. In a "60 Minutes" interview released this week, he appeared to further narrow the time frame, saying it would be possible to see as soon as December 2010 whether Gen. McChrystal's counterinsurgency strategy is working.

Many parts of ethnic Pashtun southern and eastern Afghanistan are under effective Taliban control. Insurgents regularly strike in the heart of the capital, Kabul. On Tuesday, a car bomb exploded near the Heetal Hotel and the house of President Hamid Karzai's former vice president in central Kabul, killing at least nine people. Another car bomb on Tuesday in the eastern city of Gardez killed five people.

It will take about half a year and possibly longer for the planned American reinforcements to deploy here in full. According to Gen. Rodriguez, the bulk of additional American forces will be composed of four brigade-size combat teams, with the rest made up of engineers, aviation personnel, intelligence staff and other "enablers."

Deploying in stages in January to March, a regiment combat team of between 5,000 and 6,000 U.S. Marines will head to Helmand province, joining a Marine task force and British soldiers already operating there against entrenched insurgents, Gen. Rodriguez said. While U.S. military officials decline to describe the specifics of future operations in Helmand, a probable target for the surge there is the town of Marja, a fortress-like insurgent stronghold just west of the provincial capital Lashkar Gah.

Coalition and Afghan forces operating in Helmand are hit almost daily with improvised explosive devices, and the Marja area has been dubbed by the Marines an "IED factory."

The second major U.S. unit deploying in coming months will be a 4,000-strong brigade combat team of the U.S. Army's 10th Mountain Division, Gen. Rodriguez said. The brigade's artillery battalion will focus on running a police-training school, while much of the remaining three battalions will be scattered throughout the country at joint outposts where platoon-

Agence France-Presse/Getty Images

Getty Images

U.S. Lt. Gen. Rodriguez in Kabul. He says safe roads are crucial to success.

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FOCUS ON AFGHANISTAN

About 200 U.S. Marines left Wednesday for Afghanistan from Camp Lejeune, North Carolina. Above, Marines prepare for departure on Tuesday.

Battle Plan

The U.S. has outlined how it will deploy some of the new troops in Afghanistan.

= 1,000 troops

1. U.S. Marine Corps regiment combat team (Helmand)

2. 101st Airborne brigade combat team (near Kandahar)

3. Force composition not yet decided (eastern Afghanistan)

(POLICE PARTNERING)

4. 10th Mountain (South and east Afghanistan)

(POLICE TRAINING)

5. 10th Mountain (Kabul)

size American forces would live and operate together with Afghan police units.

Turning the Afghan National Police—seen as corrupt and lagging behind Afghanistan's army in performance—into an effective law-enforcement and counterinsurgency force is key to rolling back the Taliban and restoring government authority, U.S. officials say.

"We've got to improve the police significantly," Gen. Rodriguez said. "We've built the army basically from scratch and sent it out. The police was already there, and we've been trying to train it on the job, which is significantly harder. We're a couple of years behind."

In coming months, ANP is slated to secure heavier weapons, and to swap pickup trucks that are vulnerable to IEDs for armored Humvees shipped out of Iraq, American officials say.

In the second wave of the surge, in March to May, another U.S. Army brigade combat team, from the 101st Airborne Division, will deploy to the districts around Kandahar City, Afghanistan's second-largest and the birthplace of the Taliban movement. Canadian forces stationed in and around Kandahar in recent years have lacked the strength to check the Taliban rise in the area, and the insurgents exert heavy influence over the city.

The U.S. military hasn't yet decided from where to draw the fourth brigade combat team, expected to deploy to eastern Afghanistan "a little later," Gen. Rodriguez added. "It's the issue of how fast you can get them in—and we're trying to get in as fast as we can."

In addition to opening up roads that run from Helmand through Kandahar City and to the town of Spin Boldak on the border with Pakistan, the coalition will also work on a more ambitious goal: securing the major highway that links Kandahar City with Kabul, running through many insurgent-dominated districts, Gen. Rodriguez said.

"Everything is not going to be there" by 2011, he cautioned. "But we should see indicators that the momentum is changing."

—Anand Gopal contributed to this article.

WSJ.com

Online today: Track day-to-day events in Afghanistan in an interactive map and see more photos from the region at **asia.WSJ.com**.

FROM PAGE ONE

U.S. sues Intel, alleging unfair tactics

Continued from first page

GPU market was **Nvidia** Corp. The FTC said the company was hurt by such Intel practices as bundling microprocessors along with chip sets that include graphics, making it harder for Nvidia chips to connect with Intel's latest microprocessors.

"Over a period going back to 1999, at each stage at which Intel's dominance in various chip markets has been threatened, they have responded, rather than by competing aggressively on the merits, with a course of conduct that has been exclusionary and detrimental to competition and consumers," Richard A. Feinstein, director of the FTC's bureau of competition, said at a news conference.

The possibility that the FTC would file suit had been the subject of months of speculation and comes a month after Intel agreed to pay $1.25 billion in a far-reaching legal settlement with AMD. But that pact didn't touch on some key practices, such as Intel discounts and rebates, that have been among the most controversial topics in the long-running scrutiny over Intel's practices.

The FTC action seeks no monetary damages, but asks for an order that would bar Intel from many of its alleged practices.

Intel, of Santa Clara, Calif., complained that the FTC included new allegations shortly before filing the complaint without thoroughly investigating them.

"This case could have, and should have, been settled," said Doug Melamed, who was recently hired as Intel's senior vice president and general counsel. "Settlement talks had progressed very far but stalled when the FTC insisted on unprecedented remedies—including the restrictions on lawful price competition and innovation set forth in the complaint—that would make it impossible for Intel to conduct business."

Significantly, much of the FTC case isn't based on the Sherman Antitrust Act—the longtime foundation for most such actions—but Section Five of the FTC Act. The agency said the FTC rule is broader than conventional antitrust laws and prohibits unfair tactics and deceptive acts. It can't be used by other plaintiffs as a basis for private suits seeking triple damages.

The use of act is part of a broad effort by the FTC, the U.S. Justice Department and Democrats in Congress to bolster antitrust powers that have been weakened by court rulings in recent years.

Intel has long commanded 80% or more of unit shipments of microprocessors. It also accounts for more than 50% of the GPU market through circuitry integrated on chip sets, which connect microprocessors to other parts of a computer. AMD and Nvidia, however, are much larger suppliers of more powerful GPUs sold as separate products.

The FTC complaint contends that Intel's actions have stifled innovation and reduced choice for customers, particularly at times when AMD had particularly compelling products. Among other things, the FTC said Intel secretly redesigned programs called compilers to hurt the performance of software running on non-Intel chips.

Besides the FTC case, Intel is appealing a $1.45 billion fine levied by the European Union. Also, New York Attorney General Andrew Cuomo filed an antitrust suit against the company this fall, which is pending.

AMD, which agreed in the settlement to end a private suit it brought in 2005, declined comment on the FTC action.

Nvidia applauded the FTC's suit. "We are particularly pleased to see scrutiny being placed on Intel's behavior toward GPUs, which have become an increasingly important part of the PC industry," the Santa Clara, Calif., company said.

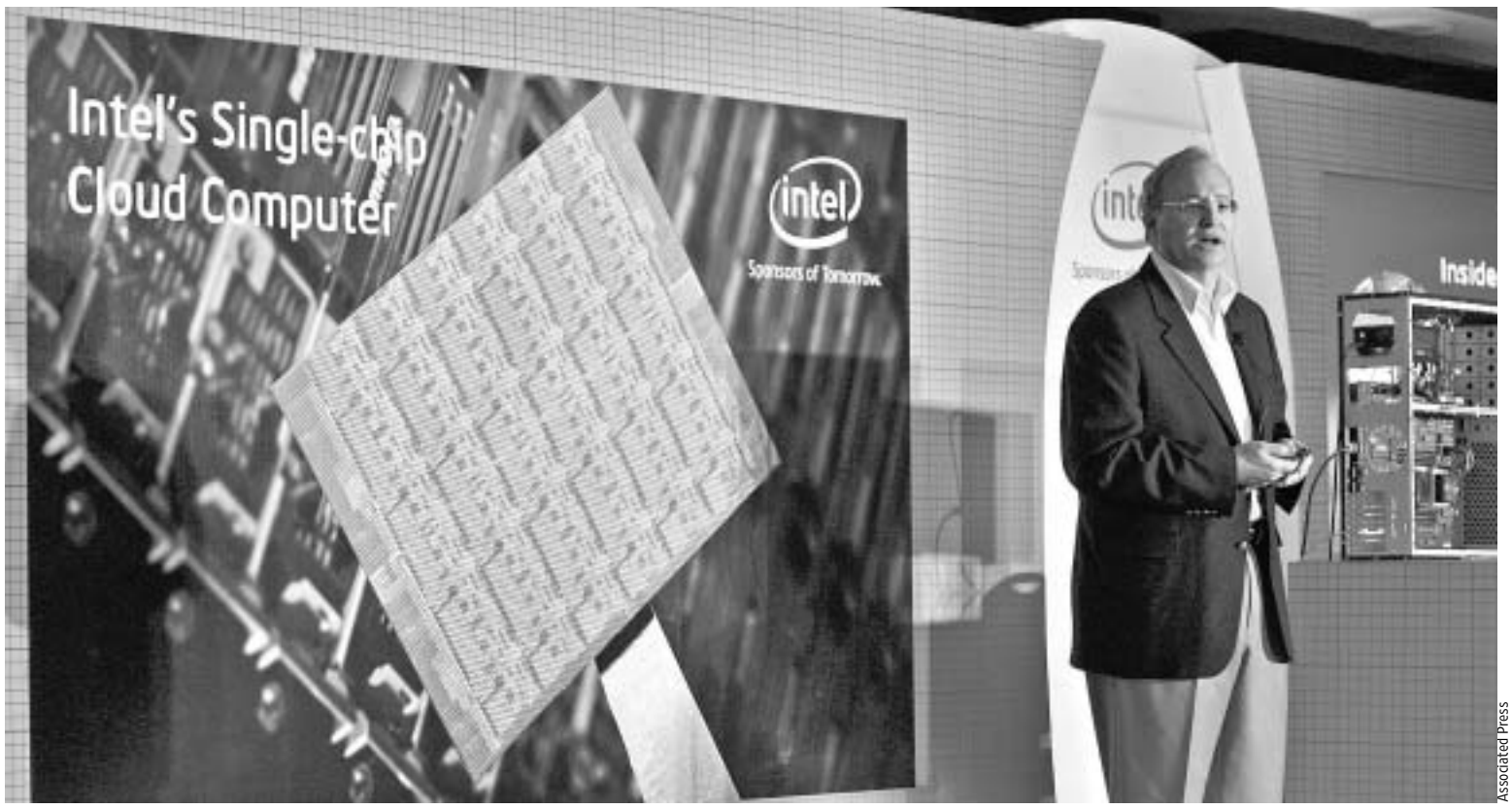
The FTC has been investigating Intel since May of last year.

Mr. Feinstein said the agency isn't seeking to break up Intel, which is unlike the action brought by the Justice Department against **Microsoft** Corp. in the late 1990s. He said the relief the agency seeks would prohibit exclusionary conduct and, if necessary, require Intel to make information or intellectual property available that would allow competing products to work alongside Intel's.

Some outside observers had speculated the AMD settlement might deter the FTC from moving against Intel.

"I don't think we were hurt at all by the AMD settlement," Mr. Feinstein said. "Our complaint extends beyond the allegations that were being made by AMD."

—Brent Kendall and Jerry A. DiColo contributed to this article.



Associated Press

Intel's chief technology officer, Justin Rattner, briefs the media about the experimental 48-core Intel processor chip, in Bangalore, India, on Wednesday.

U.S. Fed holds rates, points to positive signs

Continued from first page

til the recovery is entrenched next year. Fed Chairman Ben Bernanke cemented those expectations last week, when he said slack in the economy and subdued inflation would keep the central bank from lifting interest rates soon. "Though we have begun to see some improvement in economic activity, we still have some way to go before we can be assured that the recovery will be self-sustaining," Mr. Bernanke said.

While Mr. Bernanke has come under fire from some on Capitol Hill for his precrisis management of the economy, Time magazine named him its person of the year earlier Wednesday, largely for the role he played in keeping the U.S. from sliding into a depression this year.

Recent data hint that the recovery is taking hold. The U.S. unemployment rate declined to 10% in November, an unexpected drop that bolstered hopes the labor market has turned the corner. Robust retail sales and rising consumer confidence, meanwhile, have raised expectations for strong economic growth in the fourth quarter.

At the same time, inflation has been tame, giving policy makers room to wait before beginning to push up interest rates. Core consumer prices were unchanged last month.

The FOMC statement provided little fresh insight into the path of monetary policy in the months ahead. The federal-funds rate has been near zero for a year, part of the Fed's response to the financial crisis, a strategy that also includes emergency measures to buoy credit markets and lending.

The FOMC said it will "maintain the target range for the federal funds rate at zero to 0.25% and continues to anticipate that economic conditions, including low rates of resource utilization, subdued inflation trends, and stable inflation expectations, are likely to warrant exceptionally low levels of the federal funds rate for an extended period.

Abu Dhabi fund seeks exit from Citi investment deal

Continued from first page

At the time of the deal, the fund's managing director said the investment reflected its confidence in "Citi's potential to build shareholder value."

Neither side commented Wednesday on the details of the arbitration. An Adia spokesman said only that it was the fund's policy "to pursue its legal rights fully."

Late Tuesday, Citigroup said in its statement that it would "vigorously" defend itself.

"I see this as a decision based on business considerations," said Christian Koch, director of International Studies at the Gulf Research Center. "Sovereign-wealth funds like Adia have expressed their willingness to take on responsibility but are also self-confident enough to pursue their interests, they want to have a say."

Adia is among several sovereign-wealth funds that helped rescue Citigroup after it turned to outside investors to replenish capital, hit by subprime-mortgage losses in the U.S. The U.S. Treasury eventually stepped in twice to support Citigroup with capital infusions that left the U.S. government owning 34% of the bank.

Citigroup said Monday that it would repay $20 billion to the government and would unwind an agreement in which the government was shielding the New York company from most losses on $301 billion of assets.

"This has all come to a head as Citi comes to remove itself as quickly as possible from under the U.S. [Troubled Asset Relief Program] umbrella, and Adia is sort of in the middle of that," said Rachel Ziemba, a senior analyst at Roubini Global Economics in New York.

"Despite the fact that Adia had argued what seemed like pretty strong antidilution clauses in 2007, there was no thought process that Citi stock could drop down to under $4," Ms. Ziemba said, adding that "the price point matters a lot more now than it did back then."

Adia's dispute comes after the successful unwinding of other sovereign-wealth funds' stakes in Citigroup and other banks. In January 2008, the Kuwait Investment Authority, the Gulf country's sovereign-wealth fund, pumped $3 billion into Citigroup. Earlier this month, it sold the stake, booking a $1.1 billion profit.

The Government of Singapore Investment Corp. said in September it made a $1.6 billion profit by selling about half its stake in Citigroup since converting its holdings from preferred shares to ordinary shares earlier in the month.

Other Mideast funds have also cashed in. In June, another Abu Dhabi fund sold part of its stake in Barclays PLC. In October, Qatar did the same thing. Both funds booked big profits.

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BUSINESS & FINANCE.

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Banks may get capital reprieve

Basel Committee reportedly adding a grace period to meet new rules; Japanese financial shares surge

By Atsuko Fukase

TOKYO—Global banking regulators agreed to relax a proposal that stricter bank-capital requirements should come into effect from the end of 2012, a person familiar with the Basel Committee negotiations said Wednesday, suggesting that banks may face less near-term pressure to strengthen their balance sheets.

The report sent financial-institution shares in Japan sharply higher, on the belief that the banks will face less pressure to raise funds through issuing new shares.

The person said the regulations might include a grace period for banks to meet the new rules beyond 2012 but didn't provide details. A separate person familiar with the matter said the new rules could be unveiled as early as Thursday.

Reuters

Mizuho Financial Group had been expected to raise capital to meet the rules.

Market players had expected Japanese banks would have to move fast to raise more capital than their Western peers under the new Basel rules, because their core Tier 1 capital ratios—a measure of bank health—tend to be lower than at Western banks.

Mizuho Financial Group surged 15% to 182 yen ($2.03) as some 709 million shares changed hands—historic trading volume for a single issue—while **Sumitomo Mitsui Financial Group** jumped 14% to 3,030 yen after temporarily going limit-up. **Mitsubishi UFJ Financial Group** ended up 4.9% at 470 yen.

The Basel group's likely loosening of the timeframe of its regulations is seen as a reaction to the continuing weakness of the global economy.

Forcing banks to rush to improve their balance sheets at a time when the economy remains sluggish could prompt the banks to cut back on lending, further weighing on private demand.

The person said the Basel proposal contained no specific period for the grace period.

Share prices in Japan's banking sector have been weighed this year by concerns that the new rules would force banks to issue more shares, diluting the value of existing equities. The Topix banking subsector index has dropped about 26% since the start of this year, during a period when the Topix overall index gained about 3%.

Japanese banks tend to have more hybrid securities such as preferred shares on their books than their Western peers, which would lower their core Tier 1 capital ratios. Core Tier 1 capital usually refers to common stock and retained earnings, excluding preferred shares, preferred subscription securities and deferred tax assets, though the Basel group will discuss over the next year what specifically will count as such capital.

MUFG said Monday it will raise as much as 1.031 trillion yen ($11.58 billion) after setting the offering price for its new shares at 428 yen, marking the biggest share sale by a Japanese financial institution. The bank said the capital increase is to strengthen its capital base in response to stricter rules.

Market watchers and industry observers had expected SMFG and

Please turn to page 30

Australia tightens tax on private-equity gains

By Rachel Pannett

CANBERRA—Australian tax authorities ruled that profits from the sale of assets by private-equity firms can in some cases be classed as taxable income, a move industry participants said could reduce foreign investment in the country.

Tax officials said Wednesday that they were simply reinforcing a longstanding tax principle. Tax experts said the move amounts to a tighter enforcement stance.

Asset-sale proceeds may be included as assessable income under the law "where the profit is income according to ordinary concepts," the Australian Tax Office said in a draft determination.

In other words, if a private-equity firm's business is buying out listed companies, restructuring them and then listing them again for a profit, the profit from the disposal of shares in the public company constitutes ordinary taxable income.

The tax office also determined that what is known as treaty shopping—where firms set up several offshore divisions in an effort to work around international tax agreements—could be classed as tax avoidance.

The draft ruling comes as the tax office is pursuing more than US$620 million in taxes and penalties from Fort Worth, Texas-based private-equity firm TPG, relating to TPG's initial public offering of department-store chain Myer Holdings Ltd.

Tax officials argue that TPG set up its ownership structure of Myer as a way to avoid taxes, using a latticework of companies in the Netherlands, Luxembourg and the Cayman Islands to funnel its Myer profits out of Australia without paying taxes there. TPG, which isn't accused of criminal wrongdoing, has said it has met its Australian tax obligations.

Critics said the tax office's actions are inconsistent with Canberra's push to make Australia a regional financial hub, in the face of stiff competition from the likes of Tokyo, Singapore and Hong Kong.

"If the tax-office rulings are allowed to stand without appropriate legislative responses, there is likely to be a significant, long-term detrimental impact on a range of sectors including private equity and infrastructure," Katherine Woodthorpe, chief executive of the Australian Private Equity and Venture Capital Association, said in a statement.

"It is likely foreign investment into Australia will retreat significantly," she said.

Nick Humphrey, who heads the private-equity practice at international law firm Deacons, said the decision comes at a bad time for the buyout industry.

"The industry is in a pretty tumultuous state given everything that has happened with the global financial crisis and the crumbling of availability of debt. To lay this on, with uncertainty around something as simple as the tax from proceeds, the timing couldn't be worse," he said.

Asked if pursuing a larger tax take from private-equity firms is at odds with other jurisdictions and

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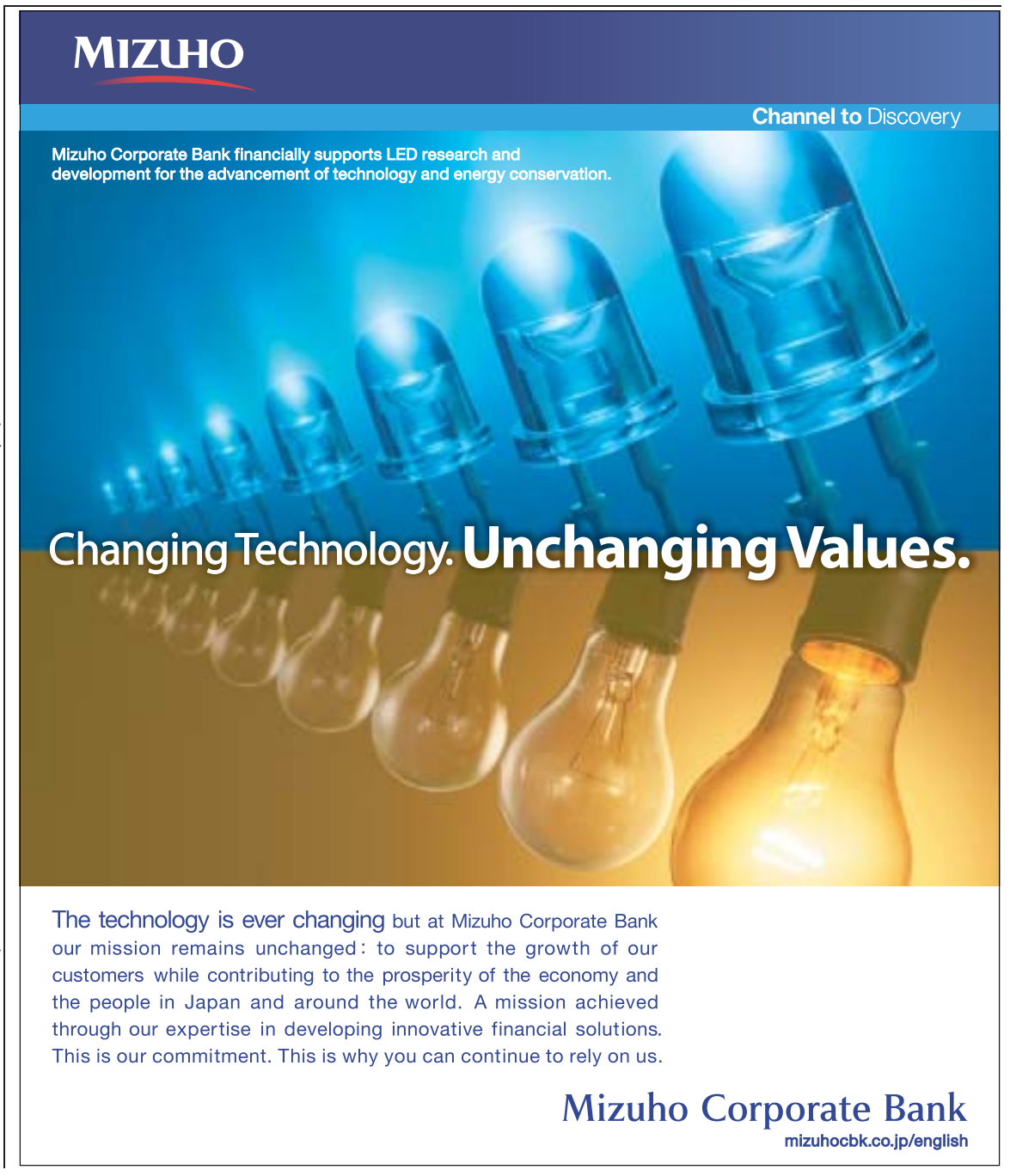
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The technology is ever changing but at Mizuho Corporate Bank our mission remains unchanged: to support the growth of our customers while contributing to the prosperity of the economy and the people in Japan and around the world. A mission achieved through our expertise in developing innovative financial solutions. This is our commitment. This is why you can continue to rely on us.
Mizuho Corporate Bank
mizuhocbk.co.jp/english

Associated Press

The 787 Dreamliner takes off from Everett, Wash., on a three-hour maiden flight. Boeing has staked much of its future on the jet, but development delays have caused the company to bleed cash.

Boeing's Dreamliner takes flight

Two years behind schedule, company begins tough process of moving cutting-edge prototype to mass production

By Peter Sanders And Daniel Michaels

EVERETT, Wash.—**Boeing** Co.'s 787 Dreamliner on Tuesday made its first flight, marking a success for the company after two years of delays but setting up an equally challenging drive to churn out large numbers of the cutting-edge aircraft.

Thousands of spectators gathered under cloudy skies at Paine Field here, cheering as the blue-and-white-striped jet lifted off the runway for its maiden flight. "It's great to finally get the plane in the air," said Boeing Chairman and Chief Executive Jim McNerney.

But the repeated setbacks have pushed the company into a tight spot: Now it must quickly turn a cutting-edge prototype into a mass-produced money maker.

"Ramping up production certainly will be a challenge," said Mr. McNerney. Boeing hopes to produce seven Dreamliners a month by 2011, increasing to 10 a month by 2013.

The company's ability to achieve that goal will have a huge impact on the commercial-aviation industry world-wide.

The Dreamliner's more than 300 global suppliers won't begin to fully recoup their money until the planes are delivered to customers.

Many suppliers have already been squeezed by past delays. And airlines and leasing firms, which have ordered 865 of the aircraft, are counting on Boeing to make its new production target so they can plan routes and service.

The delays have already caused Boeing—the single largest exporter from the U.S. and long a symbol of American engineering prowess—to bleed cash. The Chicago-based aerospace giant swung to a $1.6 billion third-quarter loss after posting a $3.5 billion write-down attributed to problems with the Dreamliner and another jetliner program. The missed delivery dates have set off payments of millions in penalties and dented the company's credibility with customers and investors.

Boeing has staked much of its future on the pioneering aircraft. It is the first-ever commercial jet to be built half out of strong-but-light-weight carbon-fiber composite material, which the company promises will make the Dreamliner more fuel--efficient and durable than current models. That prospect played well with customers.

The plane, with a list price of more than $160 million, has received more orders ahead of its first flight than for any jetliner in history.

By any measure, even Boeing's seven-planes-a-month production target is ambitious. After 14 years of producing the larger, aluminum-shelled 777 model, Boeing only this year got on track to deliver more than seven of that aircraft a month.

On top of that, the 787 marks the first time that Boeing is trying to manufacture an aircraft made largely out of composite material, the novelty of which has already led to glitches. Boeing in June abruptly postponed what was supposed to be the first flight, disclosing that composites around where the wings meet the main fuselage were damaged. It took nearly six months to fix the problem.

The Dreamliner also must run through an elaborate test-flight program before the Federal Aviation Administration will clear the aircraft to carry passengers. In a sign of the challenges involved,

Boeing shortened the planned four-hour flight by an hour because of bad weather.

Boeing's European rival, Airbus, ran into manufacturing problems when it was attempting to push out its A380 superjumbo.

"Flying was the simplest part," Airbus Chief Executive Tom Enders said of the A380. "The hard part was the complexity of industrialization."

Airbus, a unit of **European Aeronautic Defence & Space** Co., has faced more than four years of delays on the superjumbo because its manufacturing systems weren't robust enough to meet the two-deck plane's heavy industrial demands. Two years after A380 deliveries started, Airbus officials say the plane's production costs still outstrip its selling price.

From the Dreamliner's conception early this decade, Boeing planned to keep customization to a minimum "to make sure it wasn't a boutique plane," said James Albaugh, the head of the company's commercial-aircraft unit. The company now is intensely focused on "what it's going to take to ramp our production up."

When Boeing set out to build the Dreamliner, it chose to outsource much of the production to firms based as far away as Italy and Japan.

But Boeing had a hard time keeping on top of such a vast network of suppliers. In addition, the many delays strained its relations with some key suppliers.

"The critical issue is not that Boeing isn't going to have a successful flight test," Marshall Larsen, CEO of supplier **Goodrich** Corp., said earlier this year. "It's that the Goodriches of the world successfully support Boeing in getting the aircraft into service." Goodrich, based in Charlotte, N.C., produces major elements of the Dreamliner and the A380, including the 787's brakes and thrust reversers.

"We really have to focus on making sure we have a supply chain that delivers on what we promised," Mr. Albaugh said. "We know there are going to be changes along the way, and we just have to make sure we minimize disruptions on the factory floor."

One of Boeing's key 787 suppliers, **Spirit AeroSystems Holdings** Inc. of Wichita, Kan., said it is eager finally to increase production after years of fits and starts.

"We're really excited to get past first flight and get to the next phase and really get into production," said Spirit spokeswoman Deborah Gann. "We're looking forward to getting more regularity with the 787 and think there are lots of improvements on that process that we can continue to make."

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Corrections & Amplifications

LG Electronics Co. will sell a 150-inch projector capable of displaying 3-D images next year. A Business & Finance article Wednesday incorrectly said the company planned to offer a 110-inch 3-D projector TV.

Jumeirah retains expansion plans

Dubai luxury-resort operator sees 60 of its hotels in the works globally by 2013 despite emirate's financial woes

By Laura Santini

HONG KONG—Dubai-based luxury-resort operator **Jumeirah** Group said its expansion plans are continuing despite declines in revenue and worries about its home city's financial condition.

Gerald Lawless, executive chairman of Jumeirah, shrugged off concerns that the company's parent, **Dubai Holding**, could become the next casualty of the Persian Gulf emirate's debt woes.

Dubai Holding, a private conglomerate held by Dubai's ruler, Sheikh Mohammed bin Rashid al-Maktoum, operates hospitality, telecom, real-estate and investment businesses.

Mr. Lawless said Dubai Holding began efforts last year to shore up its finances, for example, reorganizing its real-estate assets. He didn't provide details.

Mr. Lawless said Jumeirah doesn't plan a public offering despite speculation that it might sell shares to raise capital.

In late November, Dubai shook world markets when it requested a freeze on $26 billion of debt payments by conglomerate **Dubai World**, which is separate from Jumeirah's parent, Dubai Holding.

Since then, the group has announced a $26 billion debt restructuring, and neighboring emirate Abu Dhabi has eased worries by pledging $10 billion in bailout funds for the conglomerate.

In an interview Wednesday, Mr. Lawless said he is sticking by Jumeirah's projection made earlier this year to have 60 hotels in development or open for business by the beginning of 2013.

At the moment, it has 11 that are fully operational around the world—including Dubai's iconic sail-shaped hotel, Burj Al-Arab, and Jumeirah Essex House on Central Park South in New York City.

The company's revenue and occupancy rates have flagged with the economic downturn. In Dubai, Jumeirah is also buffeted by increased competition in recent years, with the opening of rival luxury resorts, Mr. Lawless said.

Occupancy at Jumeirah's properties stood at around 97% early this year and has since fallen to around 80%, which Mr. Lawless said is still a healthy rate given the recent challenges.

Revenue per available room is likely to have declined between 20% and 25% for 2009 versus 2008, he said. A Jumeirah spokeswoman declined to disclose specific revenue figures.

Smith Travel Research Inc., which tracks the hotel business, said occupancy rates in Dubai rose in October to 74.9%, but were down from the previous year.

For the 10 months ending Oct. 31, overall occupancy in Dubai stood around 68%, compared with 78% a year earlier.

Privately held Jumeirah is banking much of its growth on China, its second fastest-growing market after Dubai, despite delays at its planned flagship hotel in Shanghai.

"There has been no deterioration in the pipeline. People still have confidence in the long-term future of the hotels and tourism industry," said Mr. Lawless. Besides the Shanghai hotel, the company has launched Chinese projects on Hainan Island and in Guangzhou and Macau over the past 18 months.

Mr. Lawless's comments come as the luxury hotel industry has been weakened by soft demand for business travel and overexpansion during the real-estate boom.

Some newly opened hotels aren't generating enough cash to cover operating costs, while construction of others has been halted as lenders and investors pull out.

The company's Shanghai project—a luxury hotel in the city's ritzy Xintiandi district—has been beset by delays due to a possible sale by the primary investor, American businessman Leo KoGuan.

Similar to other hotel operators, Jumeirah doesn't own its properties outright, but rather enters into long-term contracts with property developers to provide hotel management, branding and marketing, so it doesn't incur the high capital costs of property developers.

Mr. Lawless said several potential buyers have emerged, but that the project is stalled until the owners come to an agreement.

"Xintiandi will define Jumeirah for the region. It's a great property, and we look forward to seeing the owners sort out that situation," Mr. Lawless said. He added that he is hoping the hotel can open by the end of 2010.

Jumeirah Beach Hotel in Dubai. Right, Executive Chairman Gerald Lawless.

Jumeirah Group

Nissan expects China sales rise

By Patricia Jiayi Ho and Norihiko Shirouzu

BEIJING—**Nissan Motor** Co. and its main local partner in China expect to sell 600,000 passenger cars next year, up 16% from projected sales volume this year, a senior executive of the joint venture said Wednesday.

This year has seen exceptional auto-sales growth in China, spurred by tax cuts and other stimulus measures.

Projections for next year are for continued growth but at a less torrid pace.

Thus, Nissan's 2010 growth target is lower than the 48% increase the company has projected for this year, to 517,000 vehicles, but is consistent with industry projections for 10% to15% growth in the country's passenger-car market next year.

Kimiyasu Nakamura, president of **Dongfeng Motor** Co.—Nissan's manufacturing and sales joint venture in China with **Dongfeng Group**—said overall sales, including heavy and light commercial vehicles, should total one million vehicles, achieving that level two years ahead of its original target.

China's strong demand for automobiles is sustained in particular by inland cities, Mr. Nakamura told a small group of reporters in Beijing. "China is a very important part of Nissan's global strategy," he said. "It is as indispensable a market for us as the U.S."

This year through November, Dongfeng-Nissan sold 469,559 passenger cars, up 51.3% from a year earlier.

Its sales in November totaled 47,099 cars, up 40.9% from the same month last year.

> Dongfeng-Nissan will start its global launch of a compact car in China next year.

Mr. Nakamura said growth was driven by Beijing's stimulus measures, including purchase-tax cuts on vehicles with engines up to 1.6 liters, as well as the company's expansion of its dealer network into smaller cities.

He noted that Beijing's recent decision to increase the purchase tax for small vehicles to 7.5% from 5% isn't likely to affect the company's sales target. The tax had been halved in January from the original 10%.

In anticipation of what Mr. Nakamura described as capacity constraints for passenger cars in 2010, the executive said Dongfeng-Nissan has recently added a third shift at its plants in Xiangfan and Huadu in southern China.

He said the joint-venture company should have enough capacity next year to meet the goal of selling 600,000 cars.

As part of its effort to boost sales, Dongfeng-Nissan will start its global launch of a compact car in China next year.

The company didn't provide a specific date for the planned introduction.

Last month, Dongfeng-Nissan signed an agreement with the Guangzhou government to set up an electric-car program, part of Nissan's global effort to help accelerate the use of battery-powered all-electric cars.

A senior Nissan executive said at the time that the automobile maker, which is based in Yokohama, Japan, would consider plans to make all-electric cars at a plant it runs in Guangzhou.

"No official decision has been made, but the Huadu plant is a good possible site for electric-car production among all the production sites we have in China," Mr. Nakamura said Wednesday.

—Terence Poon and Juan Chen contributed to this article

GM to repay U.S. loan by June

By Sharon Terlep

General Motors Co. plans to repay $6.7 billion it borrowed from the U.S. government by June or possibly sooner, GM Chairman Edward E. Whitacre Jr. said Tuesday.

Mr. Whitacre is pushing GM toward faster profitability and improved sales and, since taking over as chief executive Dec. 1, has made repaying U.S. loans a priority over becoming a public company again.

That's a change from the company's plans when Frederick "Fritz" Henderson was chief executive. Mr. Henderson resigned after coming under pressure from the board to reverse a number of decisions and move faster to overhaul GM's bureaucratic culture.

Mr. Whitacre, a former AT&T Inc. chairman and CEO, was appointed by the U.S. government as part of an effort to install a tough new board of outsiders to oversee the ailing car maker. Within days of also taking the CEO title, Mr. Whitacre reorganized the company's top management, moving younger executives into senior posts.

GM's loan repayment would represent a fraction of the $50 billion it received from the U.S. and Canadian governments, most of which won't be given back but instead has been converted into company stock.

Essentially, GM would be using other money it received from the government to pay back the loan.

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CORPORATE NEWS

EU ends Microsoft antitrust case

Software company's agreement to offer competing browsers helps pave way for settlement

By Peppi Kiviniemi

BRUSSELS—The European Commission on Wednesday settled its remaining antitrust issues with **Microsoft** Corp., ending a decade-long battle over the software giant's business practices.

The commission, the EU's executive arm, agreed to abandon its case against Microsoft over whether the software giant is illegally abusing its dominance in the Internet-browser markets in return for a legally binding commitment for Microsoft to market competing browsers alongside its own Internet Explorer.

Calling the decision a "Christmas present" for European consumers, Competition Commissioner Neelie Kroes said consumers will benefit by having a free choice in deciding which Web browser they use.

Microsoft General Counsel Brad Smith said the company was pleased with the commission's decision, "which approves a final resolution of several longstanding competition-law issues in Europe."

He added that Microsoft was looking forward to deepening the "trust" that has been established between the company and the commission in recent months.

The commission had accused Microsoft of crushing rivals and stifling innovation by including Internet Explorer in its dominant Windows operating system. Bundling the two products together gave Microsoft an artificial distribution advantage, which didn't reflect the merits of the browser, the commission said.

By asking Microsoft to deliver browser choices to Windows users in Europe, the commission is expecting to increase the market share of rival browsers, which include Mozilla's Firefox, **Google** Inc.'s Chrome, **Apple** Inc.'s Safari and **Opera Software** ASA's browser.

Microsoft has committed to offer the choice of browsers for a five-year period. It will also allow computer manufacturers to preinstall competing Web browsers or exclude Internet Explorer completely.

In return for these commitments, the commission will close its investigation without a fine. Microsoft must report to the commission every six months on the process and may be asked to make some adjustments.

The commission also welcomed Microsoft's pledge to share technical information so competitors' products can work better with a range of Microsoft software, including Windows, the Exchange email system and the Office suite. The offer comes after "intensive discussions" between the parties and will have an impact on the commission's investigation into these so-called interoperability issues, the commission said.

Microsoft has been fined more than $2 billion by the European antitrust regulator for various antitrust breaches, but Ms. Kroes said she hopes Wednesday's decision "closes a long chapter in Microsoft's sometimes uneasy relationship with the commission." Microsoft's commitments both on browsers and interoperability, should be seen in a very positive light, she said.

Reuters

EU Competition Commissioner Neelie Kroes said Microsoft's commitments should be seen in a 'positive light.'

Mr. Smith, Microsoft's general counsel, said he was "very optimistic" that the commission would be able to conclude its interoperability investigation, as the company had worked hard to address the issues.

The U.S. Department of Justice also commended the settlement, saying the solution to the long-standing dispute will "enhance competition and is designed to preserve industry participants' incentives and ability to compete going forward." The Department of Justice settled its own antitrust case over Microsoft browsers back in 2001, but that settlement was considered largely ineffective.

The European Committee for Interoperable Systems, or ECIS, which together with Opera was behind the browser complaint, said the settlement was "great news for consumers and competing browser developers."

Proper compliance with the decision "will provide consumers with a real and unbiased choice because installing a competing browser should not be any more cumbersome than selecting Internet Explorer," said ECIS lawyer Thomas Vinje.

The ECIS is a nonprofit organization whose members include a range of information- and communications-technology hardware and software providers.

Ms. Kroes said the commission hopes to formally close its interoperability investigation in early 2010, while Microsoft's court appeal over part of the fine imposed on it in early 2008 for noncompliance with an earlier European antitrust ruling remains on the agenda.

Australia plans to ease Qantas ownership rules

By Rachel Pannett

CANBERRA—The Australian government will relax some ownership restrictions on **Qantas Airways** Ltd., but will maintain its overall 49% foreign ownership cap, in a move that broadens Qantas' options for future mergers with foreign carriers while ruling out any full foreign takeover offer. The government is also considering "more flexible arrangements" for the ownership of **Virgin Blue Holdings** Ltd.'s V Australia international arm as part of talks with the European Union over an "open-skies" agreement.

Asked if that flexibility extends to potentially removing the 49% foreign ownership cap V Australia currently shares with Qantas, Australia's Transport Minister Anthony Albanese said: "We are prepared to have discussions with the Europeans on that basis." Talks will resume with EU negotiators early next year.

In a policy paper, the government said it will remove restrictions that cap the stake of a foreign individual in Qantas at 25%. It will also remove the restriction that foreign airlines can't own more than 35% in total of the national carrier.

Qantas Chief Executive Alan Joyce said the decision will give Qantas parity with other Australian carriers when it comes to attracting capital for its ambitious fleet, product and infrastructure renewal goals. "This change will increase Qantas' flexibility as it meets the challenges of an uncertain global economy and business environment, opening up opportunities for strategic growth and alliances," he said.

—Bill Lindsay in Sydney contributed to this article.

AMR may raise JAL package

By Mariko Sanchanta And Doug Cameron

American Airlines said Wednesday it may increase a proposed capital investment in **Japan Airlines** Corp. as it intensified efforts to fend off a rival offer from **Delta Air Lines** Inc.

Gerard Arpey, chairman and chief executive of parent **AMR** Corp., also offered to make JAL its "exclusive partner" in the region.

The pace of talks is expected to intensify after the U.S. and Japan last week agreed to an outline open-skies aviation treaty, paving the way for JAL to seek antitrust immunity with its eventual partner.

"There could be more vigorous investment made depending on the circumstances," Mr. Arpey said following a meeting in Tokyo with Japan's transport minister, Seiji Maehara.

He said AMR has discussed with JAL a proposal that would "guarantee it exclusivity as our sole partner in this region," without further details. Mr. Arpey didn't define the region and how an arrangement might affect the airline's relationship with Oneworld partner **Cathay Pacific Airways** and its Hong Kong hub.

AMR said earlier this month that it could inject $1.1 billion into JAL.

Delta and its partners in the rival SkyTeam alliance have also said they may revise their proposal.

Dell to lay off 700 in Malaysia

By K.P. Lee and Yun-Hee Kim

KUALA LUMPUR—Computer maker **Dell** Inc. plans to lay off 700 workers from its Malaysian plant in northern Penang state in a bid to cut costs.

The layoffs, which represent about 16% of its total work force of 4,500 in the country, will take place from January through June, Dell's senior manager for corporate communications, Jasmine Begum, said Wednesday.

Ms. Begum said the layoffs are necessary as the company relocates the production of its computer laptops for the U.S., Canada and Latin America markets from Penang to other cheaper production facilities.

The Malaysian plant will continue manufacturing laptop computers for the Asian-Pacific region, she said.

The reduction comes as Dell is undergoing a company-wide restructuring aimed at reducing costs and returning to growth. In the fiscal third quarter ended Oct. 31, Dell's profit fell 54% despite signs of a recovery in the technology sector and while rivals such as **Hewlett-Packard** Co. saw profit growth.

Since founder Michael Dell reclaimed the chief executive officer role in early 2007, he has closed factories, entered new markets and acquired tech-services company **Perot Systems** Inc. for $3.9 billion in November.

The company expects that its acquisition of Perot will allow an expansion of its health-care and government services products, company executives said Wednesday.

In the first year of integration, Chief Financial Officer Brian Gladden said, the combined company will mostly be focused on cross-selling Dell's hardware and Perot's services products.

Over the next few years, its health-care offerings will ramp sharply, Mr. Gladden said.

Dell has fallen behind its competitors in personal computers. It now ranks third behind Hewlett-Packard and Taiwan's **Acer** Inc.

—Jerry A. DiColo —contributed to this article.

LEGAL NOTICES

BANKRUPTCIES

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:
CIT GROUP INC. and
CIT GROUP FUNDING COMPANY OF DELAWARE LLC,
Debtors.

Chapter 11
Case No. 09-16565 (ALG)
(Jointly Administered)

NOTICE OF (I) CONFIRMATION OF MODIFIED SECOND AMENDED PREPACKAGED REORGANIZATION PLAN OF CIT GROUP INC. AND CIT GROUP FUNDING COMPANY OF DELAWARE LLC UNDER CHAPTER 11 OF THE BANKRUPTCY CODE, (II) THE OCCURRENCE OF THE EFFECTIVE DATE AND (III) DEADLINE FOR FILING APPLICATIONS FOR PROFESSIONAL FEES

PLEASE TAKE NOTICE that on December 8, 2009, this Court entered the Findings of Fact, Conclusions of Law and Order (I) Approving (A) the Debtors' Disclosure Statement Pursuant to Sections 1125 and 1126(c) of the Bankruptcy Code, (B) Solicitation of Votes and Voting Procedures, and (C) Forms of Ballots, and (II) Confirming the Modified Second Amended Prepackaged Reorganization Plan of CIT Group and CIT Group Funding Company of Delaware LLC (the "Confirmation Order") [Docket No. 193] in the chapter 11 cases of the above-captioned debtors and debtors in possession (the "Debtors"). Pursuant to the Confirmation Order, this Court confirmed the Modified Second Amended Prepackaged Reorganization Plan of CIT Group and CIT Group Funding Company of Delaware LLC (the "Plan")[1], which confirmed Plan was filed with the Court on December 10, 2009 [Docket No. 197].

PLEASE TAKE NOTICE that on December 10, 2009, the Effective Date under the Plan occurred.

PLEASE TAKE FURTHER NOTICE THAT, pursuant to the Confirmation Order, each professional person or firm retained by order of the Court or requesting compensation in the Chapter 11 Cases pursuant to sections 327, 328, 330, 331, 503(b) or 1103 of the Bankruptcy Code, other than professionals that the Debtor is authorized to pay in the ordinary course of business, must file and serve an application for an allowance of final compensation and reimbursement of expenses incurred through the Effective Date no later than February 8, 2010.

PLEASE TAKE FURTHER NOTICE that copies of the pleadings filed in these chapter 11 cases can be obtained by using the Bankruptcy Court's electronic case filing system at www.nysb.uscourts.gov using a PACER password (to obtain a PACER password, go to the PACER website, http://pacer.psc.uscourts.gov) or on the website maintained by the Debtors' proposed claims agent at http://www.kccllc.net/citgroup.

Dated: New York, New York, December 10, 2009 By: */s/ Gregg M. Galardi*
SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP,
Gregg M. Galardi, J. Gregory St. Clair, Four Times Square, New York, New York 10036,
(212) 735-3000, Proposed Counsel for Debtors and Debtors-in-Possession

[1] Capitalized terms used but not defined herein shall have the same meanings ascribed to them in the Plan.

CORPORATE NEWS

Pfizer seeks quick growth in China

Drug firm sees opportunities as aging population copes with lifestyle-related diseases common in the West

By Aaron Back

BEIJING—**Pfizer** Inc. is aiming for fast growth and market-share gains in China, hoping to capitalize on unmet health-care needs as China's population starts coping with lifestyle-related diseases traditionally seen in the West.

Pfizer wants to increase its sales in China at a rate of more than 25% per year, aided by its recent acquisition of Wyeth, but its market share remains low due to tough competition and unique challenges in this market, said Allan Gabor, regional president of North Asia.

"When you look at where we are in China today, even though our growth rate is high, the market share is relatively low. And that's a function of...the nature of the competition here, and the fact that patent law wasn't really established until 1993," Mr. Gabor said in an interview.

Previously, weak protection of intellectual property rights in China made foreign companies hesitant to introduce cutting-edge drugs for fear that they would be copied by local competitors. But Mr. Gabor said it is getting easier to secure Chinese patents and ensure they are enforced.

Pfizer

Pfizer executive Allan Gabor says China is improving its patent enforcement.

"Where we have patents, we have pretty good protection, and where we have counterfeit issues, we are able to bring cases and get action from the government," he said.

Mr. Gabor said Beijing is also starting to recognize how foreign companies can help it meet health-care challenges. As the Chinese age, grow more wealthy and move to large cities, they are increasingly adopting a richer diet and a more sedentary lifestyle, which has increased the rates of heart disease and diabetes.

Pfizer is in a good position to treat cardiovascular disease with its blockbuster drugs in the field, including Lipitor for cholesterol and Norvasc for high blood pressure, he said.

On Tuesday, Pfizer said it would help Japan-based **Takeda Pharmaceutical** Co. market Actos, its leading drug for type 2 diabetes, in China.

The Chinese pharmaceutical market is fragmented, with thousands of small local players. Although it is the largest foreign pharmaceutical company in China, Pfizer has only about 2% market share, Mr. Gabor said, citing data from IMS, a health-care intelligence company.

IMS estimates that the total market for pharmaceuticals in China rose 27% in the third quarter of this year from a year earlier. It forecasts that the Chinese pharmaceutical market will grow by over 20% annually through 2013, and Mr. Gabor said Pfizer is seeking to beat that, thus gaining market share.

Mr. Gabor said that often the most important factor to an individual drug's success is to develop good relationships with the government and health-care providers in China. In fact, most of Pfizer's medicines in China aren't patented. "It has a lot to do with how you bring it here and how you establish it with the health-care community," he said.

For instance, during the SARS crisis of 2003, Pfizer provided China with emergency supplies of antifungal drug Vfend, which was used to treat some secondary infections caused by the virus. That drug is now widely used around China despite not having a local patent.

Pfizer's acquisition of Wyeth, which closed in October, adds vaccines and consumer brands to its offerings in China. In particular, Mr. Gabor highlighted Prevnar, a vaccine to protect children from pneumococcal disease.

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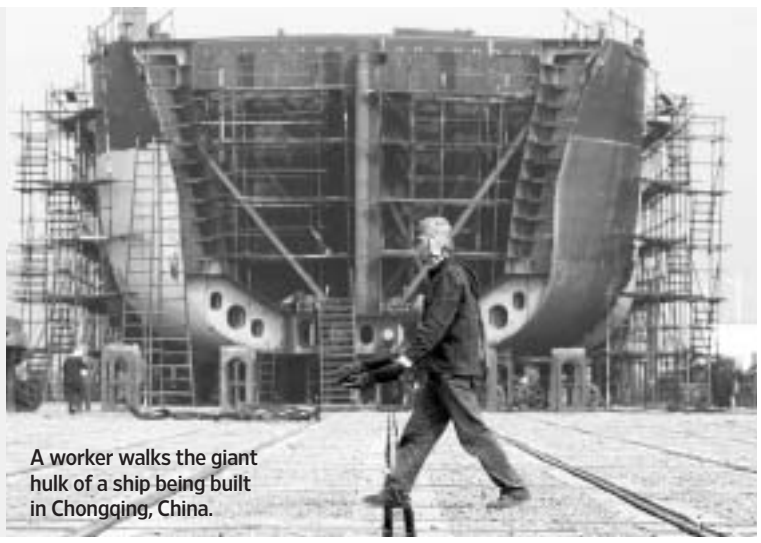
Big players

Ten largest IPOs issued in China* in 2009

Priced	Issuer	Value in million of U.S. dollars
July 24	China State Construction Engineering	$7,342
Sept. 17	Metallurgical Corp of China	†2,778
Dec. 9	**China Shipbuilding Industry**	**2,156**
Nov. 12	China Merchants Securities	1,628
Aug. 6	Everbright Securities	1,605
Oct. 26	Jiangsu Yanghe Brewery Joint-Stock	396
Sept. 25	China International Travel Service	380
Sept. 24	Beijing Ultrapower Software	268
July 17	Sichuan Expressway	263
Nov. 17	Guangdong Haid Group	230

* Excludes Hong Kong † Excludes H-shares Source: Dealogic

Getty Images



A worker walks the giant hulk of a ship being built in Chongqing, China.

China Shipbuilding stock's debut weaker than expected in Shanghai

SHANGHAI—**China Shipbuilding Industry** Co. had a weaker-than-expected debut in Shanghai, amid signs that demand for new listings is waning due to high valuations and quickening supply.

China Shipbuilding, which raised 14.72 billion yuan ($2.16 billion) from its initial public offering last week, opened Wednesday at 8.41 yuan, up 14% from its IPO price but well below market expectations of a 20% to 30% increase. The ship-equipment maker closed up 12% at 8.30 yuan.

China's securities regulator approved 20 companies to conduct IPOs this week and last week, the fastest pace since the government ended a nine-month IPO moratorium in June, raising supply in hopes of cooling the market.

China Shipbuilding's debut pales in comparison with some of the main-board listings earlier in the year, which produced stunning gains on their first day of trading.

In July, China State Construction Engineering Corp. soared 56% from its IPO price and Sichuan Expressway Co. more than tripled on its debut. Metallurgical Corp. of China Ltd. rose 28% on its first trading day in September.

"The reason behind China Shipbuilding's subdued debut is very simple: A high IPO price caps its performance in the secondary market," said Li Nian, an analyst at Shenyin Wanguo Securities.

China Shipbuilding's IPO price of 7.38 yuan, which was at the top end of the indicative range , represented 42.14 times its 2008 earnings. Other shipbuilding companies are trading around 20 times 2008 earnings.

A weak broader market and the large number of IPOs in the pipeline also have damped interest in new listings, analysts said.

"The economic fundamentals haven't changed much. The only thing that has changed is the much bigger supply of IPOs," said Li Bin, an analyst at Guolian Securities.

Analysts said the disappointing debut and subsequent performance of China Merchants Securities Co., the last main-board IPO in Shanghai, also affected investors' demand for China Shipbuilding.

China Merchants Securities opened at 35.01 yuan on its debut Nov. 17, up 13% from its IPO price but also well below market expectations.

The brokerage firm's share price has since been in a downward spiral, and actually dipped below its IPO price before closing at 30.81 yuan Tuesday, the first time one of the companies that listed on the main board this year has fallen below its IPO price.

China Shipbuilding sold 1.995 billion shares, or 30% of its enlarged capital, in its IPO, which attracted subscriptions totaling 882 billion yuan.

—Wynne Wang

Rajaratnam and Chiesi are charged

By Chad Bray

Galleon Group's Raj Rajaratnam and Danielle Chiesi, a former hedge-fund consultant, were indicted by a federal grand jury in Manhattan Tuesday on charges they were involved in a $20.8 million insider-trading scheme.

Mr. Rajaratnam, founder of hedge-fund firm Galleon Group, and Ms. Chiesi, a former consultant to New Castle Partners LLC, were charged in a 17-count indictment, including multiple counts of conspiracy and securities fraud against Mr. Rajaratnam.

The indictment reiterates most of the allegations included in the criminal complaint against Mr. Rajaratnam and Ms. Chiesi that was filed when the two were arrested on Oct. 16.

New Castle Partners was the onetime equity hedge-fund group at Bear Stearns Asset Management Inc., a unit of the now-defunct Bear Stearns Cos.

The two are scheduled to be arraigned on the charges on Monday.

"Mr. Rajaratnam is innocent and looks forward to his day in court, when a jury of his fellow citizens will examine and evaluate all of the evidence," said John Dowd, Mr. Rajaratnam's lawyer.

Mr. Rajaratnam and Ms. Chiesi are expected to be arraigned on the charges Monday. A U.S. district judge also is expected to hear Mr. Rajaratnam's arguments to reduce his $100 million bail at Monday's hearing.

Alan Kaufman, a lawyer for Ms. Chiesi, said they expect to plead not guilty to the charges and "vigorously fight" the allegations.

Ms. Chiesi, 44 years old, faces as many as 155 years in prison on the new charges, while Mr. Rajaratnam, 52, faces as many as 145 years in prison. The indictment is seeking $20.8 million in forfeiture.

A new detail in the indictment alleges insider trading by Mr. Rajaratnam as early as 2003, saying he conspired with Ali Far, founder of California hedge fund **Spherix Capital** LLC, to execute trades on non-public information. Spherix Capital closed earlier this year.

Mr. Far pleaded guilty to conspiracy and securities fraud in October. He has opted to cooperate with prosecutors.

Mr. Rajaratnam, Ms. Chiesi and four others were charged in October in an alleged insider-trading scheme as part of a probe by prosecutors from the U.S. attorney's office in Manhattan.

In total, 21 people, including Mr. Rajaratnam, have been charged criminally in the probe, six of whom have pleaded guilty to criminal charges.

They are cooperating with the government.

The government probe has identified about $40 million in alleged illicit gains, prosecutors have said.

Nomura to buy U.K.'s Tricorn

By Alison Tudor

TOKYO—Flush with capital from its recent equity offerings, **Nomura Holdings** Inc. said it is buying London-based firm **Tricorn Partners LLP**, a move that could significantly bolster its British corporate finance advisory business.

Tricorn founding partners Guy Dawson and Justin Dowley will be joining the Tokyo-based bank as vice chairmen of Nomura's European investment banking team. Tricorn advises on mergers and acquisitions, corporate fund-raising and other services.

Since the acquisition of the **Lehman Brothers** European and Middle East businesses in October 2008, Nomura has raised its profile dramatically in European equities and fixed income trading.

For the last five months Nomura has been the No. 1 trader on the **London Stock Exchange** in terms of value of trades.

Rebuilding Lehman's corporate finance business has been trickier, given some high level defections at the time of the takeover. However, the business has gradually been gaining momentum.

During 2009 Nomura acted as adviser to Anglo American, **Brixton**, HMV and Stagecoach. Nomura raised a total of 710 billion yen in two equity offerings this year.

The bank has historically been a leader in Japan, but hasn't been strong overseas.

Exxon deal helps natural gas

By Ann Davis, Ben Casselman And Rebecca Smith

COMMODITIES REPORT

After a decade-long wild ride, North American natural-gas prices seem to be entering a period of stability, which is likely to change the way Americans heat their homes, generate their electricity and maybe even fuel their cars.

Gas producers have been arguing for some time that new sources of the fuel have made it both plentiful and reliable. But residential and industrial consumers have been reluctant to increase their dependence on natural gas because of concerns about price volatility.

This appears to be changing, thanks to a combination of factors. Huge new discoveries in the U.S. and Canada have increased supplies, lowering prices. Big infrastructure build-outs in recent years have made it easier to move gas to where it is needed, helping ease regional price spikes.

And now comes **Exxon Mobil** Corp.'s decision to buy one of the largest U.S. gas producers, **XTO Energy** Inc. It is the latest sign that deep-pocketed corporate giants see U.S. natural gas, especially gas found in shale rock and other unconventional formations, as a giant resource.

Such players have long-range programs to fund exploration even when prices are low, resulting in less on-again, off-again drilling by smaller, less financially resilient companies.

Meanwhile, Rep. Ed Markey (D., Mass.), chairman of the House Energy and Environment Subcommittee of the Energy and Commerce Committee, said he planned a hearing into Exxon's acquisition of XTO.

A staff member for the committee said the hearings, expected early next year, would look at the effects of the merger on competition in the natural-gas industry, where natural gas fits into the future U.S. energy mix, and environmental questions that have been raised about the production of natural gas from shale-rock formations. Exxon officials declined to comment.

Gas producers hope the Exxon deal will help them convince federal officials and power executives that prices are entering a period of relative calm. The Energy Information Administration, an arm of the U.S. government, on Monday projected natural gas prices would remain below $7 per million British thermal units through 2025.

"If you went to Washington in March and talked about the abundance of natural gas, you basically got blank stares," said David Trice, chairman of gas producer **Newfield Exploration** Co. "The skeptics out there should take heart that you've got a company that is known to be cautious and do their homework and they've made a $41 billion bet that this is the right thing."

Exxon is offering $31 billion in its own shares for XTO and will assume $10 billion in debt.

Many now see gas as a versatile fuel that ought to be deployed more widely (gas generation provides about one-fifth of U.S. electricity and heat for about half of U.S. homes).

Some advocates argue that long-haul trucks—and perhaps even cars—should be converted to use natural gas.

Gas prices generally fluctuate with the season, rising in the winter when heating demand is highest. But in the past decade they have been particularly volatile, as hurricanes knocked out drilling rigs in the Gulf of Mexico and financial speculation and trading blow-ups roiled the market.

The power utility industry in particular has been reluctant to depend too much on natural gas.

The last time it went on a binge to build gas-fired power plants, early in this decade, the fuel's price rose steeply partly in response to the new demand, driving many generation firms into bankruptcy court.

But Exxon hopes to change that thinking. "Natural gas is really well-suited to meet that growing power generation demand, both from the standpoint of its lower environmental impact, but also its capital efficiency and its flexibility," said Exxon Chairman and Chief Executive Rex Tillerson this week.

Exxon believes that natural gas will elbow coal out of its spot as the most economic way to make electricity in the U.S.

Deal-making puts together a comeback

Flurry of activity signals a return to busier days, healthier economy; Exxon marks the spot?

By Jeffrey McCracken

Exxon Mobil Corp.'s $31 billion purchase of natural-gas exploration firm **XTO Energy** Inc. on Monday is yet another unmistakable sign that mergers-and-acquisition activity is recovering. Typically that is a good sign for the broader economy.

The past two months have been the most active deal-making period since the summer of 2008. The dollar value of deals in November and December is four times that of the same period a year ago.

The period includes Warren Buffett's $26 billion bet on railroads, his largest acquisition ever, and the $4.6 billion merger of iconic toolmakers **Stanley Works** and **Black & Decker**. **Comcast** Corp. also purchased NBC Universal in a deal valued at $30 billion.

If recent history is any guide, a rebound in M&A also is evidence the broader economy has begun to heal. Studies of the past two decades show deal making is largely a lagging indicator of economic growth, returning a few quarters after the economy bottoms, and slowly building as the stock market turns up and gross-domestic-product growth and consumer spending return.

A slew of big, multibillion-dollar deals often are the most tangible evidence that chief executives and corporate boards have renewed confidence. Doing a deal requires belief in any number of things—the future of the economy, internal sales forecasts or the ability to borrow money.

"There is an absolute correlation between the economy and M&A activity," said Jimmy Elliott, global head of M&A at **J.P. Morgan Chase**. "When there was no activity, zero, back in March and April, it clearly was a crisis of confidence—CEO confidence and consumer confidence."

In the previous two U.S. downturns, M&A activity peaked shortly before the recession began and then bottomed about two years later. In the 1990-91 recession and again following the 9/11 attacks, deal making fell by 50% or more, before slowly and steadily returning. In both cases, deal activity first trailed the broader economy before racing ahead of it.

M&A activity in the current cycle peaked in 2006 and 2007, with U.S. deal value hitting about $1.39 trillion both years. It will likely come in around $750 billion for 2009, a drop of about 46%, according to Dealogic.

Any current recovery in deal making is fragile and still in the earliest of days. Even with the recent boost in activity, the past two months have been modest compared with deal-making numbers at the middle of the decade. And what may be a sign of strength from buyers also may be a show of weakness from sellers, who already have cut costs, shed employees and conserved cash. In addition, deal making often leads to job losses, a concern given the 10% unemployment rate. Stanley Works, for example, has estimated it may need to cut about 10% of its combined work force, or as many as 4,000 jobs.

Yet for many executives, the fears of the past year have receded. A new Ernst & Young survey of CEOs found about 33% said they are likely or highly likely to make an acquisition in the next year, compared with about 16% in a similar survey at the start of 2009.

John F. Lundgren, CEO of Stanley Works, has pursued more than 40 acquisitions in his five-year chief-executive tenure at the Connecticut firm, setting aside two-thirds of the tool maker's cash flow for strategic acquisitions.

Mr. Lundgren said he "pulled back and slowed down" on deals starting last summer as the economy stalled. "There was very much a decline in our deal activity in that period."

Mr. Lundgren said he would have pursued his all-stock deal with Black & Decker regardless of any economic upswing, but that "now we feel even more comfortable with the GDP growth and the improved consumer confidence we are seeing. Those external factors are a nice tailwind that we think takes this deal from great to extraordinary."

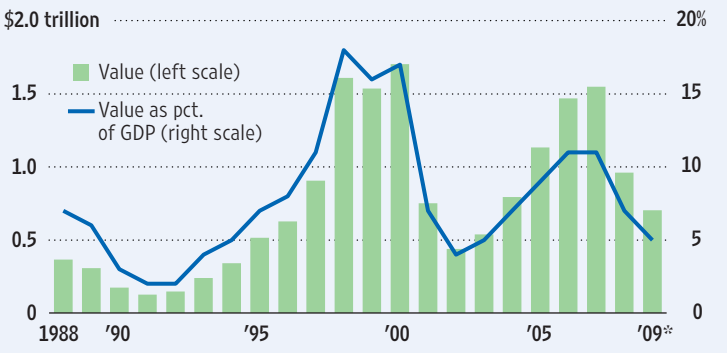
He added his company has "cautious optimism and cautious confidence for 2010. ... We have seen numbers that give us cause for hope."

According to Ernst & Young, Fortune 1000 companies have more than $1.8 trillion in cash on hand, an increase of $271 billion over last year.

A recent Wall Street Journal survey of corporate filings found large companies sitting on a higher percentage of cash than at any time in 40 years—which many now are looking to use on big acquisitions or investments in capital equipment such as machinery.

Bottoming out

U.S. M&A activity typically mirrors overall GDP changes. With deal volume picking up, many see it as a positive sign of economic recovery.



*Value is through Dec. 14; percentag of GDP as of 3Q
Sources: Thomson Reuters (value); Bureau of Economic Analysis

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Treasurys catch a wave ahead of Fed statement

By Emily Barrett

NEW YORK—Treasury prices ignored U.S. economic data released Wednesday morning, achieving modest gains ahead of the Federal Reserve's last policy statement for the year.

U.S. CREDIT MARKETS

Prices lifted from the previous session's lows, uninterrupted by a moderate consumer-price-inflation report and slightly better-than-expected feedback on the housing market.

By late morning in New York, the two-year note was up 4/32 in price at 99 28/32, yielding 0.8146%. The 10-year was 8/32 higher at 98 12/32 for 3.5709%.

These modest gains still leave the market around its weakest levels for months, and at risk of further losses before the new year, with $118 billion of auctions weighing on prices in the week after Christmas.

Central bank officials are unlikely to significantly alter their summary from last month, when they reiterated that economic conditions warrant low rates for an extended period.

Market watchers expect some additional acknowledgement of the latest, more encouraging, employment and consumer-spending figures, though few believe there has been sufficient improvement to justify raising the target rate from its historically low zero-bound any time soon.

Japan bond yields slide

By Megumi Fujikawa

TOKYO—Yields on Japanese government bonds moved lower Wednesday as concern over oversupply faded and investors took advantage of lower prices to buy.

BOND MARKETS

Short-term government securities have received strong interest from investors in recent days, following the Bank of Japan's Dec. 1 move to provide additional funds to the market.

The central bank said it would lend 10 trillion yen ($111.57 billion) of three-month funds at a fixed rate of 0.1%. Bank of Japan Gov. Masaaki Shirakawa called the move to provide additional funds "quantitative easing in [a] broad sense."

The yield on the 10-year benchmark bond fell 0.025 percentage point to 1.255%. The two-year yield fell 0.005 percentage point to 0.160%, but moved as low as 0.155% in the course of the day. That was the lowest level since September 2005.

Dollar declines against euro ahead of Fed

By Fabio Alves

The dollar fell against the euro in New York as investors adjusted positions in anticipation of the Federal Reserve continuing to signal U.S. interest rates will remain near zero for an extended period.

Late morning Wednesday, the euro was at $1.4574 from $1.4536 late Tuesday. The dollar was at 89.65 yen from 89.63 yen, while the euro was at 130.64 yen from 130.29 yen. The pound was at $1.6380 from $1.6276. The dollar was at 1.0358 Swiss francs from 1.0404 francs.

CURRENCY MARKETS

The FOMC is widely expected to leave rates unchanged and make few changes to the language of its accompanying statement, but analysts will search for clues to the Fed's timetable for the removal of extraordinary monetary stimulus.

"The three things that investors will be looking for will be the tone of the FOMC statement, changes to the discount rate and any plans to end emergency programs," said Kathy Lien, director of currency research at GFT Forex in New York.

The Federal Open Market Committee's rate decision and statement were due at about 2:15 p.m. EST.

Ahead of the FOMC statement, U.S. consumer inflation and housing starts in November lent support for riskier assets. November U.S. housing starts rose 8.9% to a 574,000 annual rate. That was better than the 7.7% gain expected by economists. U.S. consumer inflation rose 0.4% in November, the Labor Department said, compared with 0.3% in October.

Demand for the euro got a boost during European trading after data showed consumer prices in the 16 countries that use the euro rose in November from the same month last year. The European Union statistics agency Eurostat said consumer prices rose 0.1% from October and were up 0.5% from November 2008.

The euro was also supported by the latest PMI survey from across the region, which showed that manufacturing and services activity was stronger than anticipated. The composite PMI for the region as a whole came in at 54.2.

—Don Curren and Katie Martin contributed to this article.

FUND SCORECARD

China Equity

Funds that invest at least 75% of equity assets in Chinese companies, and less than 10% in Taiwan. At least 75% of total assets are invested in equities. Ranked on % total return (dividends reinvested) in U.S. dollars for one year ending December 16, 2009

Leading 10 Performers

FUND RATING *	FUND NAME	FUND MGM'T CO.	CURR.	LEGAL BASE	% Return in $US ** YTD	1-YR	2-YR	5-YR
NS	**HSBC Multi Alpha CHINA A**	HSBC Asset Management Hong Kong Ltd	USD	Cayman Isl	**96.82**	115.56	-12.47	NS
3	**Atlantis China**	Atlantis Investment Management Limited	USD	Ireland	**93.12**	112.05	-9.19	27.79
5	**First State China Growth II**	First State Investments (Hong Kong) Ltd	USD	Ireland	**94.64**	100.45	-3.54	27.58
5	**Landkreditt Kina**	Landkreditt Forvaltning AS	NOK	Norway	**91.76**	96.99	2.65	NS
1	**Hang Seng CHN H Shr Idx L150 A**	Hang Seng Investment Management Ltd	HKD	Cayman Isl	**97.62**	92.25	-23.13	26.31
NS	**Prisma Actions Chine Gao Chan B**	PRISMA Anlagestiftung	CHF	SwitzrInd	**80.10**	89.94	NS	NS
NS	**Fortis Haitong Overseas QDII**	Fortis Haitong Investment Mgmt Co., Ltd	CNY	China	**84.29**	86.91	NS	NS
NS	**BOCHK IF China Consumption Gr A**	BOCI-Prudential Asset Management	HKD	Hong Kong	**80.31**	84.24	NS	NS
4	**Taifook China**	Taifook Investment Managers Ltd	USD	Cayman Isl	**82.11**	83.33	-2.31	26.15
NS	**First State China Focus I Acc**	First State Investments (Hong Kong) Ltd	USD	Ireland	**79.66**	83.05	NS	NS

NOTE: Changes in currency rates will affect performance and rankings.
KEY: ** 2YR and 5YR performance is annualized
NA-not available due to incomplete data;
NS-fund not in existence for entire period

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
■ AHW CAPITAL MANAGEMENT									
Tel (+49) 1805 - 23 82 82									
www.ahw-capital.com									
AHW Top-Div.Int.	GL	EQ	LUX	12/15	EUR	53.39	18.4	14.5	-29.3
■ ALLIANCE BERNSTEIN									
www.alliancebernstein.com/investments Tel. +800 2263 8637									
Am Eq Blend A	OT	OT	LUX	12/15	USD	10.25	24.8	30.2	-15.7
Am Eq Blend B	US	EQ	LUX	12/15	USD	9.63	23.6	28.9	-16.6
Am Growth A	US	EQ	LUX	12/15	USD	30.29	32.3	49.3	-7.9
Am Growth AX	US	EQ	LUX	12/15	USD	32.68	33.0	50.2	-7.3
Am Growth B	US	EQ	LUX	12/15	USD	25.48	31.0	47.9	-8.8
Am Growth C	US	EQ	LUX	12/15	USD	27.41	31.7	48.6	-8.2
Am Growth I	US	EQ	LUX	12/15	USD	33.55	33.2	50.5	-7.1
Am Income A	US	BD	LUX	12/15	USD	8.43	24.4	30.4	5.5
Am Income A2	US	BD	LUX	12/15	USD	19.00	24.8	30.4	5.5
Am Income A2	OT	OT	NA	12/15	HKD	147.32	NS	NS	NS
Am Income AT	OT	OT	NA	12/15	HKD	65.36	NS	NS	NS
Am Income AT	US	BD	LUX	12/15	USD	8.43	24.8	30.4	5.5
Am Income B	US	BD	LUX	12/15	USD	8.43	23.5	29.3	4.7
Am Income B2	US	BD	LUX	12/15	USD	16.38	24.0	29.5	4.8
Am Income B2	OT	OT	NA	12/15	HKD	127.00	NS	NS	NS
Am Income BT	OT	OT	NA	12/15	HKD	65.75	NS	NS	NS
Am Income BT	US	BD	LUX	12/15	USD	8.48	24.1	29.6	4.8
Am Income C	US	BD	LUX	12/15	USD	8.43	23.8	29.7	5.0
Am Income C2	US	BD	LUX	12/15	USD	24.36	24.3	29.9	5.1
Am Income I	US	BD	LUX	12/15	USD	8.43	25.1	31.2	6.1
Am Value A	US	EQ	LUX	12/15	USD	8.52	18.2	26.4	-14.5
Am Value B	US	EQ	LUX	12/15	USD	7.85	17.0	25.2	-15.3
Am Value C	US	EQ	LUX	12/15	USD	8.53	17.7	26.0	-14.9
Am Value I	US	EQ	LUX	12/15	USD	9.17	19.1	27.5	-13.8
Emg Mkts Debt A	GL	BD	LUX	12/15	USD	15.60	43.8	51.8	7.9
Emg Mkts Debt A2	GL	BD	LUX	12/15	USD	20.11	44.5	52.0	7.9
Emg Mkts Debt AT	GL	BD	LUX	12/15	USD	15.68	44.5	52.0	7.9
Emg Mkts Debt B	GL	BD	LUX	12/15	USD	15.60	42.6	50.4	6.8
Emg Mkts Debt B2	GL	BD	LUX	12/15	USD	19.37	43.1	50.5	6.8
Emg Mkts Debt BT	GL	BD	LUX	12/15	USD	15.66	43.0	50.4	6.8
Emg Mkts Debt C	GL	BD	LUX	12/15	USD	15.60	43.3	51.1	7.4
Emg Mkts Debt C2	GL	BD	LUX	12/15	USD	19.76	43.8	51.3	7.4
Emg Mkts Debt I	GL	BD	LUX	12/15	USD	15.60	44.5	52.5	8.4
Emg Mkts Growth A	GL	EQ	LUX	12/15	USD	34.12	70.3	73.5	-13.5
Emg Mkts Growth B	GL	EQ	LUX	12/15	USD	28.93	68.7	71.7	-14.4
Emg Mkts Growth C	GL	EQ	LUX	12/15	USD	29.58	69.5	72.7	-13.9
Emg Mkts Growth I	GL	EQ	LUX	12/15	USD	37.81	71.6	74.8	-12.8
Eur Growth A	OT	OT	LUX	12/15	EUR	9.92	22.4	25.1	-18.9
Eur Growth A	OT	OT	LUX	12/15	EUR	6.82	22.4	25.1	-18.9
Eur Growth B	OT	OT	LUX	12/15	EUR	6.13	21.1	23.8	-19.8
Eur Growth B	OT	OT	LUX	12/15	USD	8.91	21.1	23.8	-19.8
Eur Growth C	EU	EQ	LUX	12/15	EUR	5.17	21.9	24.6	-19.3
Eur Growth I	OT	OT	LUX	12/15	USD	10.80	23.2	25.9	-18.3
Eur Growth I	OT	OT	LUX	12/15	EUR	7.43	23.2	25.9	-18.3
Eur Income A	OT	OT	LUX	12/15	EUR	6.61	39.1	39.7	3.9
Eur Income A	OT	OT	LUX	12/15	USD	9.61	39.1	39.7	3.9
Eur Income A2	OT	OT	LUX	12/15	EUR	12.85	39.5	39.5	3.9
Eur Income A2	OT	OT	LUX	12/15	USD	18.68	39.5	39.5	3.9
Eur Income AT	EU	BD	LUX	12/15	EUR	6.61	39.4	39.4	3.8
Eur Income B	OT	OT	LUX	12/15	EUR	6.61	38.3	38.8	3.2
Eur Income B	OT	OT	LUX	12/15	USD	9.61	38.3	38.8	3.2
Eur Income B2	OT	OT	LUX	12/15	EUR	11.96	38.6	38.6	3.2
Eur Income B2	OT	OT	LUX	12/15	USD	17.39	38.6	38.6	3.2
Eur Income BT	EU	BD	LUX	12/15	EUR	6.61	38.6	38.6	3.1
Eur Income C	OT	OT	LUX	12/15	EUR	6.61	38.6	39.1	3.4
Eur Income C	OT	OT	LUX	12/15	USD	9.61	38.6	39.1	3.4
Eur Income C2	OT	OT	LUX	12/15	EUR	12.81	38.9	38.9	3.4
Eur Income C2	OT	OT	LUX	12/15	USD	18.63	38.9	38.9	3.4
Eur Income I	OT	OT	LUX	12/15	EUR	6.61	39.7	40.4	4.5
Eur Income I	OT	OT	LUX	12/15	USD	9.61	39.7	40.4	4.5
Eur Strat Value A	OT	OT	LUX	12/15	EUR	8.34	19.8	20.9	-22.7
Eur Strat Value A	OT	OT	LUX	12/15	USD	12.13	19.8	20.9	-22.7
Eur Strat Value I	OT	OT	LUX	12/15	EUR	8.54	20.8	22.0	-22.0
Eur Strat Value I	OT	OT	LUX	12/15	USD	12.42	20.8	22.0	-22.0
Eur Value A	OT	OT	LUX	12/15	USD	13.09	23.6	25.7	-19.6
Eur Value A	OT	OT	LUX	12/15	EUR	9.00	23.6	25.7	-19.6
Eur Value B	OT	OT	LUX	12/15	EUR	8.28	22.3	24.5	-20.5
Eur Value B	OT	OT	LUX	12/15	USD	12.04	22.3	24.5	-20.5
Eur Value C	OT	OT	LUX	12/15	USD	12.65	22.9	25.2	-20.0
Eur Value C	OT	OT	LUX	12/15	EUR	8.70	22.9	25.2	-20.0
Eur Value I	OT	OT	LUX	12/15	USD	15.11	24.4	26.9	-19.0
Eur Value I	OT	OT	LUX	12/15	EUR	10.39	24.4	26.9	-19.0
Gl Balanced (Euro) A	OT	OT	LUX	12/15	USD	16.53	19.9	23.2	-11.7
Gl Balanced (Euro) B	OT	OT	LUX	12/15	USD	16.11	18.8	21.9	-12.5
Gl Balanced (Euro) C	OT	OT	LUX	12/15	USD	16.42	19.7	22.9	-11.9
Gl Balanced (Euro) I	OT	OT	LUX	12/15	USD	16.84	NS	NS	NS
Gl Balanced A	US	BA	LUX	12/15	USD	16.44	23.7	27.4	-10.6
Gl Balanced B	US	BA	LUX	12/15	USD	15.64	22.6	26.2	-11.5
Gl Balanced C	OT	OT	LUX	12/15	USD	16.20	23.4	27.1	-10.9
Gl Balanced C	OT	OT	LUX	12/15	EUR	11.14	23.4	27.1	-10.9
Gl Balanced I	US	BA	LUX	12/15	USD	17.04	24.5	28.3	-10.0
Gl Bond A	US	BD	LUX	12/15	USD	9.30	13.0	15.9	5.0
Gl Bond A2	US	BD	LUX	12/15	USD	16.09	13.2	15.8	5.0
Gl Bond A2	OT	OT	NA	12/15	HKD	124.76	13.2	15.8	5.0
Gl Bond AT	OT	OT	LUX	12/15	HKD	72.11	13.3	15.9	5.0
Gl Bond AT	US	BD	LUX	12/15	USD	9.30	13.3	15.9	5.0
Gl Bond B	US	BD	LUX	12/15	USD	9.30	12.0	14.7	4.0
Gl Bond B2	US	BD	LUX	12/15	USD	14.09	12.1	14.6	3.9
Gl Bond B2	OT	OT	NA	12/15	HKD	109.25	12.1	14.6	3.9
Gl Bond BT	OT	OT	LUX	12/15	HKD	72.34	12.1	14.7	4.0
Gl Bond BT	US	BD	LUX	12/15	USD	9.33	12.1	14.7	4.0
Gl Bond C	US	BD	LUX	12/15	USD	9.30	12.5	15.4	4.5
Gl Bond C2	US	BD	LUX	12/15	USD	13.96	12.7	15.3	4.6
Gl Bond I	US	BD	LUX	12/15	USD	9.30	13.5	16.5	5.6
Gl Conservative A	US	BA	LUX	12/15	USD	14.87	15.4	18.0	-4.2
Gl Conservative A2	US	BA	LUX	12/15	USD	16.92	16.0	18.7	-3.9
Gl Conservative B	US	BA	LUX	12/15	USD	14.87	14.6	17.2	-5.0
Gl Conservative B2	US	BA	LUX	12/15	USD	16.09	15.0	17.5	-4.8
Gl Conservative C	US	BA	LUX	12/15	USD	14.86	15.0	17.6	-4.6
Gl Conservative C2	US	BA	LUX	12/15	USD	16.56	15.6	18.2	-4.3
Gl Conservative I	US	BA	LUX	12/15	USD	14.93	16.2	18.9	-3.5
Gl Eq Blend A	GL	EQ	LUX	12/15	USD	11.58	29.5	34.2	-21.3
Gl Eq Blend B	GL	EQ	LUX	12/15	USD	10.87	28.3	32.9	-22.1
Gl Eq Blend C	GL	EQ	LUX	12/15	USD	11.37	28.9	33.5	-21.7
Gl Eq Blend I	GL	EQ	LUX	12/15	USD	12.21	30.6	35.4	-20.6
Gl Growth A	GL	EQ	LUX	12/15	USD	41.45	28.5	33.2	-22.4
Gl Growth B	GL	EQ	LUX	12/15	USD	34.62	27.3	31.9	-23.2
Gl Growth C	GL	EQ	LUX	12/15	USD	39.78	28.0	32.6	-22.7
Gl Growth I	GL	EQ	LUX	12/15	USD	46.01	29.5	34.3	-21.8
Gl High Yield A	US	BD	LUX	12/15	USD	4.29	58.1	66.3	3.7
Gl High Yield A2	US	BD	LUX	12/15	USD	9.15	58.9	66.1	3.7
Gl High Yield A2	OT	OT	NA	12/15	HKD	70.95	58.9	66.1	3.7
Gl High Yield AT	OT	OT	NA	12/15	HKD	33.03	59.1	66.3	3.7
Gl High Yield AT	US	BD	LUX	12/15	USD	4.26	59.1	66.3	3.7
Gl High Yield B	US	BD	LUX	12/15	USD	4.29	56.2	64.2	2.4
Gl High Yield B2	US	BD	LUX	12/15	USD	14.71	57.3	64.4	2.7
Gl High Yield B2	OT	OT	NA	12/15	HKD	114.06	57.3	64.4	2.7
Gl High Yield BT	OT	OT	NA	12/15	HKD	33.57	57.1	64.5	2.7
Gl High Yield BT	US	BD	LUX	12/15	USD	4.33	57.1	64.5	2.7
Gl High Yield C	US	BD	LUX	12/15	USD	4.29	57.2	65.4	3.1
Gl High Yield C2	US	BD	LUX	12/15	USD	13.56	58.2	65.4	3.2
Gl High Yield I	US	BD	LUX	12/15	USD	4.29	59.1	67.5	4.4
Gl Thematic Res. A	OT	OT	LUX	12/15	USD	14.59	66.7	71.0	-3.9
Gl Thematic Res. B	OT	OT	LUX	12/15	USD	12.77	65.2	69.4	-4.8
Gl Thematic Res. I	OT	OT	LUX	12/15	USD	16.26	68.0	72.4	-3.1
Gl Value A	GL	EQ	LUX	12/15	USD	11.10	30.7	35.4	-20.2
Gl Value B	GL	EQ	LUX	12/15	USD	10.20	29.4	33.9	-21.0
Gl Value C	GL	EQ	LUX	12/15	USD	10.79	30.2	34.7	-20.6
Gl Value I	GL	EQ	LUX	12/15	USD	11.79	31.6	36.3	-19.6
Greater China A	AS	EQ	LUX	12/15	USD	39.55	54.2	56.6	-16.3
Greater China B	AS	EQ	LUX	12/15	USD	35.02	52.7	55.1	-17.2
Greater China C	AS	EQ	LUX	12/15	USD	39.06	53.5	55.9	-16.7
India Growth A	OT	OT	LUX	12/15	USD	122.37	NS	NS	NS
India Growth AX	OT	OT	LUX	12/15	USD	106.95	85.1	85.7	-11.7
India Growth B	OT	OT	LUX	12/15	USD	128.25	NS	NS	NS
India Growth BX	OT	OT	LUX	12/15	USD	91.46	83.4	83.8	-12.6
India Growth I	EA	EQ	LUX	12/15	USD	110.81	85.9	86.4	-11.4
Int'l Health Care A	OT	EQ	LUX	12/15	USD	136.56	16.3	25.1	-9.2
Int'l Health Care B	OT	EQ	LUX	12/15	USD	115.24	15.2	23.9	-10.1
Int'l Health Care C	OT	EQ	LUX	12/15	USD	130.90	15.8	24.5	-9.6
Int'l Health Care I	OT	EQ	LUX	12/15	USD	149.15	17.2	26.1	-8.5
Int'l Technology A	OT	EQ	LUX	12/15	USD	106.66	45.8	49.5	-12.9
Int'l Technology B	OT	EQ	LUX	12/15	USD	92.47	44.4	48.1	-13.8
Int'l Technology C	OT	EQ	LUX	12/15	USD	103.10	45.2	48.9	-13.3
Int'l Technology I	OT	EQ	LUX	12/15	USD	119.56	46.9	50.8	-12.2
Japan Eq Blend A	JP	EQ	LUX	12/15	JPY	5869.00	9.4	14.9	-24.2
Japan Eq Blend B	JP	EQ	LUX	12/15	JPY	5665.00	8.3	13.8	-25.0
Japan Eq Blend C	JP	EQ	LUX	12/15	JPY	5776.00	8.9	14.4	-24.5
Japan Growth A	JP	EQ	LUX	12/15	JPY	5752.00	3.4	9.0	-24.5
Japan Growth B	JP	EQ	LUX	12/15	JPY	5553.00	2.4	7.9	-25.3
Japan Growth C	JP	EQ	LUX	12/15	JPY	5661.00	2.9	8.5	-24.9
Japan Strat Value A	JP	EQ	LUX	12/15	JPY	5941.00	15.2	20.6	-24.2
Japan Strat Value B	JP	EQ	LUX	12/15	JPY	5741.00	14.1	19.4	-25.0
Japan Strat Value C	JP	EQ	LUX	12/15	JPY	5844.00	14.7	20.1	-24.6
Real Estate Sec. A	OT	EQ	LUX	12/15	USD	14.11	32.2	43.7	-15.8
Real Estate Sec. B	OT	EQ	LUX	12/15	USD	12.90	31.0	42.2	-16.6
Real Estate Sec. I	OT	EQ	LUX	12/15	USD	15.16	33.2	44.8	-15.1
Short Mat Dollar A	US	BD	LUX	12/15	USD	7.23	10.8	12.0	-6.1
Short Mat Dollar A2	US	BD	LUX	12/15	USD	9.72	11.0	12.0	-6.1
Short Mat Dollar AT	US	BD	LUX	12/15	USD	7.23	11.1	12.2	-6.0
Short Mat Dollar B	US	BD	LUX	12/15	USD	7.23	10.3	11.5	-6.5
Short Mat Dollar B2	US	BD	LUX	12/15	USD	9.68	10.5	11.5	-6.5
Short Mat Dollar BT	OT	OT	LUX	12/15	USD	7.24	9.8	11.0	-6.8
Short Mat Dollar C	US	BD	LUX	12/15	USD	7.23	10.3	11.5	-6.5
Short Mat Dollar C2	US	BD	LUX	12/15	USD	13.68	10.5	11.5	-6.5
Short Mat Dollar I	US	BD	LUX	12/15	USD	7.23	11.3	12.7	-5.5

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
■ ALEXANDRA INVESTMENT MANAGEMENT									
Tel: +1 212 301 1800 Fax: +1 212 301 1810									
Alexandra Convertible Bond Fund I, Ltd. (Class A)	OT	OT	VGB	10/30	USD	1642.69	69.6	71.6	NS
■ CREDIT PACIFIC ASSET MANAGMENT									
www.creditpacific.com									
CPS-Master Priv Fund	GL	OT	WSM	12/10	USD	121.44	21.4	21.2	9.4
■ PLATINUM CAPITAL MANAGEMENT									
Tel: +44 207 024 9840, www.platinumfunds.net									
Platinm-All Star	OT	OT	CYM	09/30	USD	94.24	12.2	-6.9	-12.2
Platinm-All Weather	OT	OT	USA	10/31	USD	129.92	2.4	3.2	3.8
Platinm-Dynasty	OT	OT	USA	10/30	USD	108.45	5.5	2.5	-34.0
Platinm-Emancipation	OT	OT	USA	10/30	USD	93.58	25.0	9.3	-11.3
Platinm-Equity Plus	OT	OT	USA	05/29	USD	35.02	-18.2	-63.7	-45.6
Platinm-Gbl Dividend	OT	OT	CYM	09/30	USD	59.71	27.4	-18.1	-32.3
Platinm-Nordic	OT	OT	CYM	09/30	SEK	591.49	8.4	-6.2	-19.0
Platinm-Premier	OT	OT	CYM	12/31	USD	21.20	-55.9	-66.0	-44.3
Platinm-Turnberry	OT	OT	USA	10/30	USD	56.60	NS	NS	-38.7
■ SUPERFUND ASSET MANAGEMENT GMBH									
For info about open funds, contact info@superfund.com and www.superfund.com									
**Closed for New Investments*									
Superfund Cayman*	OT	OT	CYM	12/08	USD	43.91	-47.3	-46.5	-2.8
Superfund GCT USD*	GL	EQ	LUX	12/08	USD	2335.00	-36.1	-36.1	-0.6
Superfund Green Gold A (SPC)	OT	OT	CYM	12/08	USD	1049.12	-9.8	0.1	12.5
Superfund Green Gold B (SPC)	OT	OT	CYM	12/08	USD	1033.53	-23.3	-15.4	9.4
Superfund Q-AG*	OT	OT	AUT	12/08	EUR	6761.00	-22.9	-22.5	3.2
■ WINTON CAPITAL MANAGEMENT LTD									
Tel: +44 (0)20 7610 5350 Fax: +44 (0)20 7610 5301									
Winton Evolution EUR Cls H	OT	OT	CYM	11/30	EUR	972.73	NS	NS	NS
Winton Evolution GBP Cls G	OT	OT	CYM	11/30	GBP	976.73	NS	NS	NS
Winton Evolution USD Cls F	OT	OT	CYM	11/30	USD	1232.74	-2.8	-1.2	3.7
Winton Futures EUR Cls C	OT	OT	VGB	11/30	EUR	202.11	-1.8	-0.1	9.2
Winton Futures GBP Cls D	OT	OT	VGB	11/30	GBP	218.35	-1.6	0.4	10.2
Winton Futures JPY Cls E	OT	OT	VGB	11/30	JPY	14398.02	-2.4	-0.4	6.9
Winton Futures USD Cls B	OT	OT	VGB	11/30	USD	716.94	-2.2	-0.2	8.9
■ ALLIANZ GLOBAL INVESTORS KAPITALANLAGEGESELLSCHAFT									
Concentra AE	EU	EQ	DEU	12/15	EUR	50.98	31.1	35.5	-12.5
Industria AE	EU	EQ	DEU	12/15	EUR	69.83	33.4	32.0	-17.9
InternRent AE	EU	BD	DEU	12/15	EUR	35.53	4.6	2.7	10.5

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MARKETS

U.S. stocks post gains ahead of Fed decision

By Geoffrey Rogow

Stocks rose ahead of an interest-rate decision from the Federal Reserve, as a rebound for oil prices lifted several energy companies.

After losing about 50 points on Tuesday, the Dow Jones Industrial Average advanced 45 points, or 0.4%, to 10497 midday Wednesday.

ABREAST OF THE MARKET

Gainers were led by **Kraft Foods**, **Alcoa** and **DuPont**. **Chevron** was the measure's strongest component on a point basis thanks to an increase in oil prices.

Oil futures were up $2.17 to $72.86 a barrel after the Department of Energy reported that crude-oil stockpiles dropped to 3.689 million barrels.

The Federal Reserve was expected to announce its interest-rate decision at 2:15 p.m. EST. The Fed is expected to keep its short-term interest-rate target on hold at 0% to 0.25% and continue to signal that it won't raise rates for a long time. Investors will be watching to see if the Fed upgrades its economic outlook after November jobs data were much better than expected.

"The Fed decision seems to be a foregone conclusion that they're going to keep things status quo," said Edward Schreier, head of NYSE floor operations for Deutsche Bank. "It just looks like we're going to be gliding into the end of the year."

In data Wednesday, the Labor Department said U.S. consumer prices rose in line with analyst expectations in November, while core inflation remained unchanged. A separate report showed home construction rebounded in November from a big drop, rising more than expected as builders cautiously respond to recovering demand for new houses.

"It does seem like housing is bottoming out here, which means that market is no longer a drag after it had been for three years," said Ben Halliburton, chief investment officer for Tradition Capital Management.

Mr. Schreier noted some optimism for 2010 after a stock offering from **Wells Fargo** was well received on Tuesday. On Wednesday or Thursday, **Citigroup** was expected to price $22 billion worth of shares, some of which belong to the U.S. Treasury, in a public offering to also help it pay off its TARP funds.

"We're going sideways, but the appetite for equity is pretty good," said Mr. Schreier. "That all these banks can get their TARP money repaid by issuing equity shows there is solid demand."

Intel shares declined 1.4% after the Federal Trade Commission sued the chip maker, accusing it of illegally using its dominant market position to stifle competition. **Broadcom** shares gained 4% after it raised its fourth-quarter revenue guidance on stronger-than-expected sales in its broadband and enterprise networking markets.

The S&P 500 and the Nasdaq Composite each gained about 0.7%.

Strong figures from euro zone give gold boost

By Matt Whittaker

NEW YORK—Gold futures gained after strong euro-zone economic data, while participants waited to see whether the U.S. Federal Reserve will issue a hawkish interest-rate statement Wednesday.

In late-morning trading in New York, gold futures for December delivery rose $15.30, or 1.4%, to $1,137.70 an ounce on the Comex division of the New York Mercantile Exchange.

COMMODITY MARKETS

The euro was up after the euro-zone purchasing manager composite index in December jumped to a 26-month high of 54.2. Meanwhile, the dollar was slipping against its major rivals, reflecting less certainty in the market that the Federal Open Market Committee will deliver a more hawkish statement.

While the U.S. central bank was widely expected to reiterate its commitment to keeping rates low for "an extended period," the wording of the statement accompanying the decision was seen as key for gold and other commodities.

Anything indicating the Fed would move sooner to sponge up liquidity from the market would likely boost the dollar, pressuring gold. While the metal often trades inversely with the dollar as a greenback hedge, this relationship has particularly ratcheted up in recent weeks as gold has traded as a risk asset and the dollar as a safe haven.

Hong Kong, Shanghai finish lower, but Japan's banks surge

By Matthew Allen And V. Phani Kumar

Most Asian markets ended slightly lower Wednesday on negative cues from Wall Street and caution ahead of the U.S. Federal Reserve decision, but banks in Japan surged on hopes for a delay in the enforcement of stricter capital requirements.

Japan's Nikkei Stock Average of 225 companies ended up 0.9% at 10177.41, China's Shanghai Composite declined 0.6% and Hong Kong's Hang Seng Index lost 0.9%. South Korea's Kospi slipped 0.1%.

ASIAN-PACIFIC STOCKS

Japanese banks jumped on a rush of buyers after the Nikkei newspaper reported that the Basel Committee on Banking Supervision, which has been discussing introducing stricter capital requirements since September 2008, has agreed to effectively delay the enforcement of new capital-adequacy rules for large banks, opting to create a transition period of at least 10 years.

A person familiar with the negotiations told Dow Jones Newswires that the Basel proposal wouldn't mention the reported 10-year delay, though it would include a relaxed timeframe.

"There won't be any specific numbers in the proposal," the person said.

After starting the session bid-only, **Mizuho Financial Group** ended up 15% and **Sumitomo Mitsui Financial Group** surged 14%, while **Mitsubishi UFJ Financial Group** rose 4.9%.

But some analysts advised caution.

"Even if the Nikkei story is true, we do not believe the measure will eliminate the risk of capital raisings" by Mizuho and Sumitomo Mitsui, Credit Suisse analyst Shinichi Ina wrote in a note to clients.

Unlike fellow megabank Mitsubishi UFJ, Mizuho and Sumitomo Mitsui have yet to announce new-share sales.

Regional energy-related names were mixed in spite of overnight gains in crude-oil prices. **Inpex** rose 1.5% in Tokyo and **Oil Search** gained 3.1% in Sydney, while **Cnooc** ended 1% lower in Hong Kong.

Shares of Chinese property developers and banks extended losses on concerns Beijing may act to cool property prices in some cities. **China Overseas Land & Investment** gave up 1.7% and **Guangzhou R&F Properties** dropped 2.7% in Hong Kong. Among banks, **China Merchants Bank** lost 1.2% in Hong Kong.

In Shanghai, debutante **China Shipbuilding Industry** opened for trade at 8.41 yuan ($1.23), 14% higher than the company's initial public offering price of 7.38 yuan, but well below market expectations of a 20% to 30% gain. The stock ended at 8.30 yuan.

In Seoul, **LG Electronics** rose 2.6% to outperform the broad market after saying Tuesday it will roll out a range of three-dimensional televisions.

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
GAM Arbitrage Op	OT	OT	VGB	12/04	USD	1233.43	21.7	14.0	-9.3
GAM Asia Eq Hdg JPY Op	GL	EQ	VGB	12/14	JPY	15440.89	64.7	74.0	0.5
GAM Asia Equity Hedge US	OT	OT	VGB	12/14	USD	289.30	65.8	75.6	2.2
GAM Asia Equity USD	OT	OT	VGB	12/15	USD	648.59	61.6	67.7	-13.0
GAM Asia-Pacific Eq USD	OT	OT	VGB	12/15	USD	1263.12	17.6	29.1	-18.9
GAM Com Glb Bal EUR Op	US	BA	VGB	12/07	EUR	92.97	15.3	19.6	-9.4
GAM Com Glb Bal USD Op	US	BA	VGB	12/07	USD	127.88	15.3	19.6	-9.4
GAM Comp Glb Eq EUR Op	GL	EQ	VGB	12/07	EUR	94.77	21.9	29.7	-16.5
GAM Comp Glb Eq USD Op	GL	EQ	VGB	12/07	USD	127.33	21.9	29.7	-16.5
GAM Comp Glb Gr EUR Op	US	BA	VGB	12/07	EUR	83.61	15.6	21.5	-13.7
GAM Comp Glb Gr USD Op	US	BA	VGB	12/07	USD	126.97	15.6	21.5	-13.7
GAM CompAbsRT EUR Op	OT	OT	VGB	09/30	EUR	141.71	9.1	0.1	-6.9
GAM CompAbsRT SGD Op	OT	OT	VGB	09/30	SGD	102.21	9.2	-0.1	-8.3
GAM CompAbsRT USD Op	OT	OT	VGB	09/30	USD	845.66	9.5	0.7	-7.0
GAM Cptal Apprec Eq Inc	US	EQ	VGB	12/11	USD	243.63	33.8	39.8	-13.6
GAM Cross Trading Inc	OT	OT	VGB	12/07	USD	465.16	6.3	6.6	6.6
GAM Diversity CHF Op	OT	OT	VGB	12/07	CHF	94.62	4.6	3.3	-6.8
GAM Diversity EUR Op	OT	OT	VGB	12/07	EUR	650.56	5.4	4.6	-5.2
GAM Diversity USD 2.5XL	OT	OT	VGB	12/07	USD	78.98	9.5	7.4	-19.6
GAM Diversity USD Op	OT	OT	VGB	12/07	USD	683.10	5.4	4.4	-5.7
GAM Dvrsty II CHF Op	OT	OT	VGB	12/07	CHF	99.92	4.4	3.0	-6.5
GAM Dvrsty II EUR Op	OT	OT	VGB	12/07	EUR	139.30	5.0	3.6	-5.3
GAM Dvrsty II USD Op	OT	OT	VGB	12/07	USD	211.02	5.0	3.8	-5.6
GAM DvrstyIII EUR Op	OT	OT	VGB	12/07	EUR	116.03	5.0	3.4	-5.4
GAM DvrstyIII USD Op	OT	OT	VGB	12/07	USD	122.48	5.0	3.5	-5.6
GAM Euro Eq Hdg EUR Op	EU	EQ	VGB	12/14	EUR	214.90	9.0	8.6	-5.9
GAM Euro Eq Hdg USD Op	OT	OT	VGB	12/14	USD	199.89	9.7	9.8	-4.3
GAM European Equity USD	OT	OT	VGB	12/14	USD	295.37	25.6	31.4	-14.0
GAM GAMCO	OT	EQ	VGB	12/08	USD	793.73	36.8	52.0	-12.4
GAM Gb EmMkts Hdg EUROp	OT	OT	VGB	12/07	EUR	98.44	14.1	14.5	-16.2
GAM Gb EmMkts Hdg USDOp	OT	OT	VGB	12/14	USD	103.54	14.4	14.1	-16.4
GAM Gbl Divers USD Inc.	GL	EQ	VGB	12/14	USD	249.86	22.4	26.8	-9.7
GAM Grtr China Eq Hdg Op	GL	EQ	VGB	12/07	USD	290.16	103.2	124.4	20.4
GAM Intrst Trend II	GL	BD	VGB	12/14	USD	93.42	41.4	35.8	-8.4
GAM Intrst Trend Inc	OT	OT	VGB	12/14	USD	249.11	56.4	51.3	-6.9
GAM Japan Eq Hdg EUR Op	AS	EQ	VGB	12/14	EUR	114.26	7.0	10.4	-10.8
GAM Japan Eq Hdg USD Op	OT	OT	VGB	12/14	USD	118.83	5.7	NS	-22.0
GAM Japan Eq Hdg YEN Open	AS	EQ	VGB	12/07	JPY	8343.78	8.2	14.7	-20.1
GAM Japan USD	JP	EQ	VGB	12/15	USD	1081.45	4.5	7.5	-17.4
GAM Japan YEN	JP	EQ	VGB	12/15	JPY	8512.21	6.3	9.3	-25.1
GAM Money Mkt EuroOp	EU	MM	VGB	12/14	EUR	51.19	0.1	0.1	1.7
GAM Money Mkt USD	US	MM	VGB	12/14	USD	99.95	-0.1	-0.1	0.9
GAM Multi-Arb EUR Op	OT	OT	VGB	12/07	EUR	113.69	1.4	-0.9	-8.4
GAM Multi-Arb USD Op	OT	OT	VGB	12/07	USD	118.72	1.7	-0.7	-8.7
GAM Multi-China EUR Op	OT	OT	VGB	12/07	EUR	168.17	13.2	13.5	-8.5
GAM Multi-China USD Op	OT	OT	VGB	12/07	USD	176.80	13.8	14.1	-9.4
GAM Multi-Emer Mkts GBP	OT	OT	VGB	12/07	GBP	130.40	24.7	23.2	-2.3
GAM Multi-Emer Mkts USD	OT	OT	VGB	12/07	USD	645.81	24.6	23.2	-2.7
GAM Multi-Eur EUR Op	OT	OT	VGB	12/07	EUR	269.11	7.2	6.3	-9.9
GAM Multi-Eur II EUR Op	OT	OT	VGB	12/07	EUR	138.47	7.2	6.2	-10.0
GAM Multi-Eur II USD Op	OT	OT	VGB	12/07	USD	113.24	6.8	5.8	-10.9
GAM Multi-Eur USD Op	OT	OT	VGB	12/07	USD	468.44	6.9	6.0	-10.8
GAM Multi-Nth Am EUR Special	OT	OT	VGB	12/07	EUR	132.75	11.4	11.2	-4.3
GAM Multi-Nth Am USD Special	OT	OT	VGB	12/07	USD	216.32	11.8	11.9	-4.3
GAM Multi-Pac EUR Op	GL	EQ	VGB	12/07	EUR	142.87	4.8	4.6	-4.5
GAM Multi-Pac USD Op	OT	OT	VGB	12/07	USD	164.92	4.9	4.9	-4.8
GAM Portable Dvr/S&P500	OT	OT	VGB	08/24	USD	70.11	17.7	-27.7	-22.9
GAM Selection Hdg	US	EQ	VGB	12/04	USD	2554.68	64.2	64.9	9.2
GAM Sing/Malaysia	AS	EQ	VGB	12/15	USD	2508.38	51.0	52.4	-10.4
GAM Sterling Spe Bd Inc	OT	OT	VGB	12/07	GBP	241.71	39.9	39.8	2.1
GAM Trading EUR Inc	OT	OT	VGB	12/07	EUR	324.66	6.2	6.0	7.2
GAM Trading USD Inc	OT	OT	VGB	12/07	USD	971.52	6.4	6.7	6.7
GAM Trdg II IncEUR Op	OT	OT	VGB	12/07	EUR	138.89	6.1	6.3	7.2
GAM Trdg II IncUSD Op	OT	OT	VGB	12/07	USD	315.45	6.4	6.7	6.7
GAM Trdg IV IncEUR Op	OT	OT	VGB	12/07	EUR	146.55	5.9	5.6	6.8
GAM Trdg IV IncUSD Op	OT	OT	VGB	12/07	USD	154.28	6.1	6.1	6.6
GAM Trdg V IncEUR Op	OT	OT	VGB	12/07	EUR	124.26	5.9	5.4	6.7
GAM Trdg V IncUSD Op	OT	OT	VGB	12/07	USD	129.39	6.0	6.0	6.5
GAM TrdgIII IncEUR Op	OT	OT	VGB	12/07	EUR	156.72	6.0	6.0	6.9
GAM TrdgIII IncUSD Op	OT	OT	VGB	12/07	USD	162.25	6.1	6.5	6.6
GAM USDSpecBondInc	US	BD	VGB	12/07	USD	516.87	70.0	70.6	5.8
GAM Worldwide	GL	EQ	VGB	12/14	USD	2233.39	24.7	28.6	-10.3
GAMut Investments	OT	OT	VGB	12/09	USD	7569.02	4.2	5.3	7.7

GAM Star Fund Plc

GAMStar-AsEqCHF Ord Ac	AS	EQ	IRL	12/15	CHF	10.96	54.8	47.4	-17.3
GAMStar-AsEqEUR Ord Ac	AS	EQ	IRL	12/15	EUR	11.60	55.1	57.3	-12.6
GAMStar-AsEqGBP Ord Ac	AS	EQ	IRL	12/15	GBP	1.54	45.3	57.0	-2.2
GAMStar-AsEqUSD Ord Ac	AS	EQ	IRL	12/15	USD	13.25	61.7	67.1	-11.9
GAMStar-AsPacEqEUR Acc	AS	EQ	IRL	12/15	EUR	98.27	16.3	19.1	-15.8
GAMStar-AsPacEqEUR Inc	AS	EQ	IRL	12/15	EUR	95.10	16.3	19.1	-15.8
GAMStar-ContEurEqEUR Ac	EU	EQ	IRL	12/14	EUR	10.64	20.9	22.2	-12.8
GAMStar-EurpEqEUR Acc	EU	EQ	IRL	12/14	EUR	177.60	21.3	21.3	-15.1
GAMStar-EurpEqEUR Inc	EU	EQ	IRL	12/14	EUR	162.28	21.2	21.3	-15.1
GAMStar-EurpEqUSD Acc	EU	EQ	IRL	12/14	USD	15.86	27.1	33.0	-14.2
GAMStar-EurpEqUSD Inc	EU	EQ	IRL	12/14	USD	14.38	27.1	33.0	-14.2
GAMStar-FrontierOppUSD Acc	GL	EQ	IRL	12/14	USD	5.51	17.2	11.9	NS
GAMStar-JpnEq EUR Acc	JP	EQ	IRL	12/15	EUR	85.74	5.3	6.3	-15.3
GAMStar-JpnEq EUR Inc	JP	EQ	IRL	12/15	EUR	85.74	5.3	6.3	-15.3
GAMStar-JpnEq JPY Acc	JP	EQ	IRL	12/15	JPY	888.90	6.0	8.9	-25.0
GAMStar-JpnEq USD Acc	JP	EQ	IRL	12/15	USD	10.92	3.7	6.7	-17.5
GAMStar-World EqUSD Acc	GL	EQ	IRL	12/15	USD	2200.83	25.0	27.6	-10.1

المجموعة المالية - هيرميس
EFG HERMES

HERMES FINANCIAL MANAGEMENT (EGYPT) LIMITED, AMSALES@EFG-HERMES.COM
*Tel: 9714 363 4041 *Middle East & Developing Africa Fund*

EFG-Hermes Egypt	GL	EQ	BMU	11/30	USD	37.39	8.1	17.6	-22.2
EFG-Hermes MEDA☆	GL	EQ	BMU	11/30	USD	22.90	9.3	18.7	-18.4
EFG-Hermes Saudi Arabia Equity	EA	EQ	SAU	12/08	SAR	5.90	NS	NS	NS
EFG-Hermes Telecom	OT	EQ	BMU	11/30	USD	28.65	11.7	14.1	-13.0

LLOYD GEORGE MANAGEMENT (HK) LTD

LG Antenna	GL	EQ	BMU	12/11	USD	59.23	73.5	92.4	-11.4
LG Asian Plus	AS	EQ	CYM	12/04	USD	56.80	50.3	59.5	-19.1
LG AsianSmallerCo's	AS	EQ	BMU	12/15	USD	96.38	74.7	82.4	-21.0
LG India	EA	EQ	MUS	12/10	USD	63.77	99.8	125.2	-16.6

Manulife WEALTH MANAGEMENT 宏利財富管理

MANULIFE ASSET MANAGEMENT TEL:(852)2108 1110
Internet:http://www.manulife.com.hk 47/F Manulife Plaza, Causeway Bay, Hong Kong

American Growth	US	EQ	LUX	12/16	USD	14.87	24.7	27.8	-14.0
American Growth AA	US	EQ	LUX	12/16	USD	0.86	24.4	27.4	-7.2
Asian Equity	AS	EQ	LUX	12/16	USD	2.41	62.1	65.3	-9.7
Asian Equity AA	AS	EQ	LUX	12/16	USD	0.78	61.5	64.7	-10.0
Asian Sm Cap Equity AA	AS	EQ	LUX	12/16	USD	1.15	91.4	100.8	-5.5
China Value A	AS	EQ	LUX	12/16	USD	7.01	64.1	68.0	-6.1
China Value AA	AS	EQ	LUX	12/16	USD	2.21	63.7	67.5	-6.4
Dragon Growth	AS	EQ	LUX	12/16	USD	1.62	67.6	66.7	-9.4
Dragon Growth AA	OT	OT	LUX	12/16	HKD	7.88	67.4	66.4	-10.5
Emg Eastrn Europe A	EU	EQ	LUX	12/16	USD	4.51	87.3	79.9	-20.3
Emg Eastrn Europe AA	EU	EQ	LUX	12/16	USD	1.94	87.1	79.7	-20.4
European Growth	EU	EQ	LUX	12/16	USD	9.11	39.7	44.7	-18.8
European Growth AA	EU	EQ	LUX	12/16	USD	0.65	39.4	44.4	-19.0
Global Contrarain AA	GL	EQ	LUX	12/15	USD	0.87	80.3	88.0	NS
Global Property AA	OT	EQ	LUX	12/16	USD	0.66	44.7	49.7	-15.3
Global Resources AA	OT	EQ	LUX	12/16	USD	1.07	52.6	61.2	-11.0
Healthcare AA	OT	EQ	LUX	12/15	USD	0.93	13.3	19.0	NS
India Equity AA	EA	EQ	LUX	12/16	USD	1.06	74.4	71.3	-20.2
International Growth	GL	EQ	LUX	12/16	USD	3.02	20.8	23.8	-16.5
International Growth AA	GL	EQ	LUX	12/16	USD	0.70	20.5	23.5	-16.7
Japanese Growth	JP	EQ	LUX	12/16	USD	2.79	6.9	9.0	-14.1
Japanese Growth AA	JP	EQ	LUX	12/16	USD	0.73	6.6	8.7	-12.6
Latin America Equity AA	GL	EQ	LUX	12/16	USD	1.29	105.2	101.8	-4.4
Manulife GF Strategic Income Fund AA	OT	OT	NA	12/15	USD	1.00	NS	NS	NS
MGF Asia Value Dividend Equity Fund	OT	OT	Lux	12/15	USD	1.12	NS	NS	NS
Russia Equity AA	EE	EQ	LUX	12/16	USD	0.64	128.2	107.4	-23.3
Taiwan Equity AA	AS	EQ	LUX	12/16	USD	1.01	76.3	78.0	1.0
Turkey Equity AA	EE	EQ	LUX	12/16	USD	0.73	94.6	104.4	-16.8
U.S. Bond AA	US	BD	LUX	12/16	USD	1.11	18.0	20.8	7.7
U.S. High Yield Bond AA	US	BD	LUX	12/16	USD	0.80	78.4	91.8	-1.2
U.S. Sm Cap Equity AA	US	EQ	LUX	12/16	USD	0.80	66.6	66.8	-14.3
U.S. Tsy Inf-ProtSec AA	OT	BD	LUX	12/16	USD	1.14	8.1	12.1	3.9

PT CIPTADANA ASSET MANAGEMENT
Tel: +62 21 25574 883 Fax: +62 21 25574 893 Website: www.ciptadana.com

Indonesian Grth Fund	EA	EQ	CYM	12/02	USD	123.32	113.8	166.8	-3.6

Sensible Asset Management
A Value Partners Group company

SENSIBLE ASSET MANAGEMENT LIMITED
www.samfund.com.hk Tel: (852) 2868 6848 Fax: (852) 2810 9948

Asia Value Formula Fd-B	AS	EQ	CYM	12/15	USD	7.89	83.9	81.8	-7.3

SOCIETE GENERALE
Asset Management

SG ASSET MANAGEMENT HTTP://WWW.SGAM.COM
SGAM Fund

Bonds Eur Hi Yld A	EU	BD	LUX	12/14	EUR	20.42	53.6	56.4	-1.9
Bonds EURO A	EU	BD	LUX	12/14	EUR	41.31	4.6	6.8	5.9
Bonds EUROPE A	EU	BD	LUX	12/14	EUR	39.22	3.5	5.6	4.9
Bonds US OppsCoreplus A	US	BD	LUX	12/14	USD	37.09	17.6	19.9	8.9
Bonds World A	GL	BD	LUX	12/15	USD	42.88	7.7	9.9	8.3
Eq. China A	AS	EQ	LUX	12/15	USD	24.23	62.1	64.0	-13.1
Eq. ConcentratedEuropeA	EU	EQ	LUX	12/14	EUR	26.21	27.2	27.5	-18.9
Eq. Eastern Europe A	EU	EQ	LUX	12/14	EUR	21.92	65.9	53.3	-29.6
Eq. Euroland A	EU	EQ	LUX	12/15	EUR	10.58	15.4	17.6	-21.5
Eq. EurolandCyclclsA	EU	EQ	LUX	12/14	EUR	17.39	26.6	31.4	-16.8
Eq. EurolandFinancialA	OT	EQ	LUX	12/14	EUR	11.11	31.9	29.1	-22.9
Eq. Glbl Emg Cty A	GL	EQ	LUX	12/15	USD	9.52	59.2	61.7	-16.1
Eq. Global A	GL	EQ	LUX	12/15	USD	27.52	30.8	35.3	-15.5
Eq. Global Energy A	OT	EQ	LUX	12/14	USD	17.69	24.1	24.6	-14.9
Eq. Global Technol A	OT	OT	LUX	04/24	USD	4.46	22.1	-29.7	-21.6
Eq. Gold Mines A	OT	EQ	LUX	12/15	USD	30.76	47.1	61.8	2.8
Eq. Pacific A	AS	EQ	LUX	12/15	USD	10.22	60.1	63.9	-13.8
Eq. US Lg Cap Gr A	US	EQ	LUX	12/15	USD	15.12	40.3	44.9	-12.9
Eq. US Rel Val A	US	EQ	LUX	12/14	USD	20.48	31.9	35.7	-16.3
Eq. US Sm Cap Val A	US	EQ	LUX	12/15	USD	15.47	19.6	30.1	-20.8
Money Market EURO A	EU	MM	LUX	12/14	EUR	27.39	1.0	1.2	2.7
Money Market USD A	US	MM	LUX	12/14	USD	15.83	0.5	0.6	1.8

المستثمر الوطني
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TNI Mena Real Estate Fund	OT	OT	BMU	12/10	USD	929.00	-1.2	-7.1	-28.2
TNI MENA Special Sits Fund	OT	OT	BMU	11/30	USD	1070.31	10.2	10.3	NS
TNI UAE Blue Chip Fund	OT	OT	ARE	12/10	AED	4.67	1.8	-10.5	-35.1

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☆formerly known as China ABH Shares Fund

Intel-Chin MainInd Foc	AS	EQ	CYM	11/30	USD	29.32	82.8	100.8	0.0
Intel-China Converg☆	AS	EQ	CYM	11/30	USD	112.36	84.4	103.2	-1.5
VP Classic - A	AS	EQ	CYM	12/15	USD	185.97	82.4	88.5	-3.0
VP CLassic - B	AS	EQ	CYM	12/15	USD	86.69	81.5	87.6	-3.5
VP High Dividend Stk	AS	EQ	CYM	12/14	USD	45.84	84.5	91.5	-1.1

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YMR-N Series

YMR-N Growth Fund	OT	OT	IRL	12/16	JPY	9226.00	6.5	8.1	-26.7
YMR-N Small Cap Fund	OT	OT	IRL	12/16	JPY	6899.00	7.5	11.3	-26.8

Yuki 77 Series

Yuki 77 General	JP	EQ	IRL	12/16	JPY	6043.00	2.4	5.6	-28.0
Yuki 77 Growth	JP	EQ	IRL	12/16	JPY	5545.00	-6.3	-4.0	-33.6

Yuki Chugoku Series

Yuki Chugoku Jpn Gen	JP	EQ	IRL	12/16	JPY	6689.00	7.2	11.0	-24.8
Yuki Chugoku JpnLowP	JP	EQ	IRL	12/16	JPY	7439.00	-9.2	-6.1	-25.4

Yuki Hokuyo Japan Series

Yuki Hokuyo Jpn Gen	JP	EQ	IRL	12/16	JPY	4589.00	0.9	3.9	-28.2
Yuki Hokuyo Jpn Inc	JP	EQ	IRL	12/16	JPY	5193.00	-1.6	1.4	-21.9
Yuki Hokuyo Jpn Sm Cap	JP	EQ	IRL	12/16	JPY	5020.00	6.7	10.2	-25.1

Yuki Mizuho Series

Yuki Mizuho Gen Jpn III	OT	OT	IRL	12/16	JPY	4327.00	1.8	4.4	-32.1
Yuki Mizuho Jpn Dyn Gro	OT	OT	IRL	12/16	JPY	4562.00	1.6	3.4	-31.9
Yuki Mizuho Jpn Exc 100	OT	OT	IRL	12/16	JPY	6802.00	11.5	14.6	-26.7
Yuki Mizuho Jpn Gen	OT	OT	IRL	12/16	JPY	8452.00	5.4	9.0	-26.2
Yuki Mizuho Jpn Gro	OT	OT	IRL	12/16	JPY	6287.00	0.6	4.1	-29.3
Yuki Mizuho Jpn Inc	OT	OT	IRL	12/16	JPY	7502.00	-5.7	-2.7	-24.8
Yuki Mizuho Jpn Lg Cap	OT	OT	IRL	12/16	JPY	5081.00	1.9	4.8	-27.2
Yuki Mizuho Jpn LowP	OT	OT	IRL	12/16	JPY	11197.00	-1.2	2.8	-22.6
Yuki Mizuho Jpn PGth	OT	OT	IRL	12/16	JPY	7827.00	2.4	4.9	-31.6
Yuki Mizuho Jpn SmCp	OT	OT	IRL	12/16	JPY	7090.00	15.6	18.3	-26.7
Yuki Mizuho Jpn Val Sel	OT	OT	IRL	12/16	JPY	5545.00	6.8	9.5	-23.5
Yuki Mizuho Jpn YoungCo	OT	OT	IRL	12/16	JPY	2697.00	13.0	11.9	-32.9

Yuki Shizuoka Japan Series

Yuki Shizuoka General Japan	JP	EQ	IRL	12/16	JPY	5323.00	4.4	8.0	-26.7

For information about listing your funds, please contact: Carson Wong tel: +852 2831-6481; email: carson.wong@dowjones.com

Reuters

A worker serves a furnace in a Rusal aluminium smelter in Siberia. Rusal is seeking to list its shares in Hong Kong.

Hong Kong exchange panel reviews Rusal IPO plans again

By Amy Or and Jonathan Cheng

HONG KONG—The listing committee of the Hong Kong Stock Exchange will once again review the initial-public-offering application of embattled Russian aluminum producer **United Co. Rusal** Thursday, people familiar with the situation said Wednesday.

Rusal's application was reviewed in two previous hearings on Nov. 26 and Dec. 7.

But the committee has yet to grant an approval amid questions about a US$4.5 billion loan provided by Russian state-owned **Vneshekonom Bank**, or VEB, in 2008, other people familiar with the situation said earlier. That loan is due for repayment in October 2010.

Rusal is seeking the IPO as part of an effort to deleverage in the wake of the financial crisis.

Earlier this month, Rusal's foreign lenders agreed to restructure $7.4 billion in debt, stretching repayment over seven years.

A Hong Kong IPO is expected to sell 10% of Rusal and raise as much as $2.5 billion to help pay off creditors. The company is also seeking a listing on Paris's Euronext.

Its attempt to list in Hong Kong is being encouraged by stock-exchange operator **Hong Kong Exchanges & Clearing** Ltd., which is keen to attract listings from jurisdictions beyond its traditional home base of Hong Kong and mainland China.

A successful listing by Rusal would be the first in Hong Kong by a Russian company. Listing officials at HKEx, as the exchange operator is known, helped Rusal expedite its application timeline.

However, the fate of its application will ultimately be decided by HKEx's listing committee, an independent board of lawyers, accountants, investors and shareholder-rights activists that is responsible for vetting the applications. Among other things, the group is charged with determining whether companies applying for a listing have enough financial strength to ensure long-term operations.

Earlier this month, Rusal appointed two Hong Kong public figures to its board: Barry Cheung, chairman of the Hong Kong Mercantile Exchange, and Elsie Leung, Hong Kong's former secretary of justice and a member of mainland China's National People's Congress.

Rusal is controlled by tycoon Oleg Deripaska. The company has enjoyed strong support from the Kremlin amid the global financial crisis.

Credit Suisse will pay penalty in Iran probe

By Carrick Mollenkamp And Chad Bray

Credit Suisse Group, one of Switzerland's biggest banks, said Tuesday that it expects to pay a $536 million penalty as part of a continuing U.S. investigation into how major Western banks illegally handled funds for Iran.

Credit Suisse's role in alleged illegal transactions with Iranian enterprises previously had been disclosed. But the size of the fine and the fact that the Swiss bank joins other banking companies in settling U.S. inquiries highlight how far-reaching and secretive money flows have been with Iran and others sanctioned by the U.S.

An agreement by the Swiss bank to pay that amount now means that fines and penalties for banks investigated in the alleged transactions are in the $1 billion range.

Credit Suisse, which said it is in "advanced settlement discussions" with state and federal U.S. authorities, said that while it already set aside money to cover a fine, it will now record a 445 million Swiss franc ($430 million) pretax charge in the fourth quarter. The bank reports those results on Feb. 11.

U.S. security and law-enforcement officials have been investigating efforts by Iran to buy supplies from overseas companies that can be used in weapons.

Evidence of Iran's efforts to acquire sensitive materials also is emerging from investigations by state and federal prosecutors in New York into whether a number of major Western banks illegally handled funds for Iran and deliberately hid Iranian transactions routed through the U.S.

In its statement Tuesday, Credit Suisse said that it was in the settlement talks with the Manhattan District Attorney, the Justice Department, the Federal Reserve and the Treasury Department's unit that enforces economic and trade sanctions. Countries under sanction by the U.S. include: Sudan, Syria, North Korea and Iran.

Those talks, Credit Suisse said, center on transactions that took place between 2002 and April 2007 "involving parties that are subject to U.S. economic sanctions." Credit Suisse said it had taken steps to improve controls inside the bank.

The bank said, for example, that in December 2005, it decided to exit from the business under scrutiny and began an internal investigation. The bank said it ended its business with all parties subject to U.S. sanctions in 2006, including closing an office in Iran. The company said it has enhanced its global compliance program and filters to screen for transactions that may be subject to U.S. sanctions.

Credit Suisse also said it had closed a Tehran office in 2006.

A Credit Suisse spokeswoman declined further comment. Credit Suisse first disclosed the probes in its 2007 annual report and said earlier this year that it was cooperating with the district attorney's office, the Justice Department and other government agencies.

Alicia Maxey-Greene, a spokeswoman for Manhattan District Attorney Robert Morgenthau, confirmed settlement negotiations were continuing, but said a final agreement hadn't been reached. Spokeswomen from the Justice Department, the Fed and OFAC declined comment on Tuesday. Mr. Morgenthau previously has said some nine Western banks have been involved in the transactions.

Credit Suisse's announcement comes nearly a year after the U.K.'s **Lloyds Banking Group** PLC agreed to pay $350 million in fines and forfeitures that enabled Iranian and Sudanese clients to access the U.S. banking system.

At the time, Lloyds had admitted to altering wire-transfer information to hide the identity of clients.

As a result, more than $300 million was transferred on behalf of Iranian banks and their customers before Lloyds ceased handling the transactions. Lloyds at the time said it provided "prompt and substantial cooperation" with U.S. authorities.

The method in which Lloyds had hidden the transactions in a process known as "stripping." That is the practice of removing wire-transfer information that would identify that transfers originated from a prohibited source. The stripping made it appear that transactions began at Lloyds in the U.K. rather than at sanctioned banks.

Then this August, **Australia & New Zealand Bank Group**, Ltd., agreed to pay $5.75 million to settle a probe into foreign currency exchange transactions between 2004 and 2006 by Sudanese and Cuban citizens or entities subject to U.S. sanctions.

—Deborah Ball contributed to this article.

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Banks might get capital reprieve

Continued from page 21

Mizuho would have to raise capital once again after their lock-up rules expire Dec. 19 and Jan. 10, respectively.

Earlier this year, SMFG raised more than $9 billion in June and Mizuho raised $6 billion in July. A lock-up rule prevents a Tokyo-listed company from issuing new shares within 180 days of its last issuance. But the banks might hold off on those moves if Basel does decide to ease the timeframe for boosting core Tier 1 capital, analysts said.

"Banks may wait [to raise capital] until the next fiscal year starts" because they would want to hold off from raising capital until the market recovers if there is no need to do so right away, said Nana Otsuki, banking analyst at UBS Securities.

Some analysts said that after Wednesday's strong share-price rises, banking stocks might not have much further upside because a weak domestic economy will likely limit their profit potential.

Regulators started discussions over tougher capital requirements in Basel, Switzerland, earlier this month, following the Group of 20 nations' agreement in September to draw them up in an effort to avoid future financial crises.

Australia tightens tax rule

Continued from page 21

with Canberra's financial-hub goals, Kevin Fitzpatrick, the tax office's acting second commissioner of law, said his agency doesn't set policy.

"We are applying our Australian tax law. It's not about other countries' tax laws. ... All we can do is to apply existing tax laws to arrangements as we see it," Mr. Fitzpatrick said.

The tax authority's move comes as the Australian government could reap a windfall from potential IPOs of private equity-owned businesses. With a sharp rally in markets, a number of buyout firms are contemplating listing their companies. But analysts said the action against TPG could cause the firms to rethink those plans.

The government has declined to comment on the TPG matter.

Tax experts said the wording of Wednesday's draft determinations is vague. In the case of whether the proceeds of private-equity-asset sales should be treated as ordinary income, the tax office said only it will "depend on all the circumstances of the particular case."

"The examples given are not particularly helpful," David Coombes, head of Deacons' tax practice said, noting that the example used for treaty shopping "looks very much like the tax situation of TPG in Myer."

The tax office will take public comment on its draft determinations until Jan. 29 before issuing a final ruling.

BLUE CHIPS & BONDS

Major players & benchmarks

At right, a look at the Asia Titans, the biggest and best known companies in Asia. Below, some of the Dow Jones Titans indexes of biggest and most liquid stocks in individual countries and regions

Giants around the world

In U.S.-dollar terms.

Dow Jones Country Titans

	INDEX PERFORMANCE		
	Previous session	Year-to-date	52-week
Brazil	0.55%	**110.0%**	107.6%
Russia	4.11	**105.2**	97.6
Turkey	0.66	**84.2**	82.9
China 88	-0.63	**82.6**	66.6
Singapore	0.55	**61.3**	60.0
South Korea	-0.22	**51.0**	42.9
Sweden	0.92	**49.9**	49.9
Hong Kong	-0.97	**46.7**	36.8
Netherlands	0.66	**38.8**	39.9
Canada	0.97	**28.1**	31.0
Switzerland	1.16	**24.7**	23.4
Australia	-0.17	**24.5**	29.5
France	0.87	**20.8**	19.6
Italy	0.85	**20.2**	20.8
South Africa	unch.	**20.1**	19.1
U.K.	0.16	**19.1**	22.7
Germany	1.36	**16.7**	19.1
Spain	0.90	**16.3**	16.6
Japan	1.79	**6.3**	9.0

Dow Jones Regional Sector Titans

Basic Res	0.88%	**80.5%**	73.0%
Tiger 50*	-0.55	**54.3**	47.0
Auto Parts	1.10	**53.5**	45.4
Nordic 30 -p	-0.56	**35.6**	36.3
Asian 50	0.65	**30.5**	28.9
EU Enlarged†-p	-1.49	**30.5**	28.8
Stoxx 50 -p	0.01	**20.2**	19.9
Global 50	0.34	**20.0**	17.9
Euro Stoxx 50 -p	0.12	**18.0**	17.9
Arab 50	0.51	**6.5**	-2.1

*Asia excluding Japan †15 companies from the new EU countries; Cyprus, CzechRepublic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.

Source: Dow Jones Indexes

Dow Jones Asia Titans: Wednesday's best and worst...

Company	Country	Industry	Market value, in billions of US$	Previous close, in local currency	STOCK PERFORMANCE Previous session	52-week	Three-year
Mizuho Financial Grp	Japan	Banks	$28.5	182.00	**15.19%**	-23.4%	-78.7%
Sumitomo Mitsui Finl	Japan	Banks	34.1	3,030	**14.34**	-14.4	-75.4
Mitsubishi UFJ Finl Grp	Japan	Banks	60.7	470.00	**4.91**	-9.4	-68.9
East Japan Railway	Japan	Travel Tourism	27.2	6,090	**3.92**	-11.2	-23.4
Nintendo	Japan	Toys	30.9	21,620	**2.85**	-38.8	-26.2
China Constr Bk	Hong Kong	Banks	$190.1	6.56	**-2.09%**	42.6	47.1
Westfield Grp	Australia	Retail REITs	24.2	11.78	**-2.00**	-9.7	-38.9
Cheung Kong (Hldgs)	Hong Kong	Real Estate Holding Development	29.5	98.85	**-1.64**	22.8	6.1
Taiwan Smcndtr Mfg	Taiwan	Semiconductors	49.5	61.80	**-1.44**	35.0	-3.2
Indl Comm Bk China	Hong Kong	Banks	67.5	6.30	**-1.25**	46.5	43.5

...And the rest of Asia's blue chips

Company/Country (Industry)	Market value, in billions (U.S)	Latest, in local currency	STOCK PERFORMANCE Latest	52-week	Three-year
Tokyo Elec Power Japan (Conventional Electricity)	35.6	2,365	**2.60%**	-20.1%	-38.9%
QBE Ins Grp Australia (Reinsurance)	21.6	23.88	**2.31**	-5.6	-16.6
Nissan Motor Japan (Automobiles)	37.3	740.00	**2.07**	145.0	-48.1
Japan Tobacco Japan (Tobacco)	31.0	289,800	**1.93**	-3.0	-48.8
Kansai Elec Power Japan (Conventional Electricity)	22.8	2,145	**1.90**	-18.3	-33.2
Takeda Pharm Japan (Pharmaceuticals)	33.2	3,770	**1.62**	-16.6	-52.5
Toyota Motor Japan (Automobiles)	132.1	3,760	**1.62**	24.1	-50.2
Seven I Hldgs Japan (Broadline Retailers)	19.0	1,884	**1.45**	-35.9	-49.2
Nippon T&T Japan (Fixed Line Telecommunications)	54.6	3,700	**1.37**	-20.4	-38.3
Tokio Marine Japan (Property Casualty Insurance)	22.8	2,595	**1.37**	-2.1	-39.7
Panasonic Japan (Consumer Electronics)	30.0	1,297	**1.25**	26.4	-44.3
KDDI Japan (Mobile Telecommunications)	23.4	474,000	**1.07**	-19.9	-41.6
NTT DoCoMo Japan (Mobile Telecommunications)	62.4	131,300	**0.69**	-25.5	-30.5
Honda Motor Japan (Automobiles)	62.2	3,050	**0.66**	61.3	-31.0
Nippon Steel Japan (Iron Steel)	25.4	362.00	**0.56**	28.4	-39.5
Samsung Elec South Korea (Semiconductors)	99.0	780,000	**0.39**	69.8	26.6
Aus NZ Bk Australia (Banks)	48.5	21.50	**0.33**	56.9	-23.9
Canon Japan (Electronic Office Equipment)	51.5	3,740	**0.27**	36.3	-44.1
Hutchison Whampoa Hong Kong (Diversified Industrials)	28.2	51.30	**0.20**	23.6	-33.2
Shin-Etsu Chml Japan (Specialty Chemicals)	23.8	5,030	**0.20**	21.8	-36.7

Company/Country (Industry)	Market value, in billions (U.S)	Latest, in local currency	STOCK PERFORMANCE Latest	52-week	Three-year
Sony Japan (Consumer Electronics)	28.9	2,595	**0.19%**	42.2%	-48.9%
Woodside Petroleum Australia (Exploration Production)	30.2	47.18	**...**	31.1	23.0
Mitsubishi Japan (Industrial Suppliers)	41.1	2,245	**...**	85.5	-0.9
Mitsui Japan (Industrial Suppliers)	25.5	1,261	**...**	50.8	-26.8
RioZim Ltd Australia (General Mining)	38.7	70.80	**-0.07**	122.5	17.4
China Mobile (HK) Hong Kong (Mobile Telecommunications)	183.7	71.65	**-0.07**	-15.4	13.9
Commonwealth Bk of Australia Australia (Banks)	72.1	52.67	**-0.09**	80.7	7.8
BHP Billiton Australia (General Mining)	124.1	41.05	**-0.12**	32.6	59.3
National Australia Bk Australia (Banks)	51.9	27.95	**-0.14**	44.7	-30.3
POSCO South Korea (Iron Steel)	38.9	595,000	**-0.17**	52.0	88.9
KB Fncl Group South Korea (Banks)	20.6	62,200	**-0.32**	76.5	-14.7
Hon Hai Precision Ind Taiwan (Electrical Components Equipment)	36.5	138.50	**-0.36**	139.2	-4.6
Woolworths Australia (Food Retailers Wholesalers)	30.0	27.10	**-0.37**	5.2	18.0
China Life Ins Hong Kong (Life Insurance)	37.2	38.75	**-0.39**	56.3	62.5
Shinhan Financial Grp South Korea (Banks)	18.9	46,350	**-0.43**	43.6	-0.9
Sun Hung Kai Prop Hong Kong (Real Estate Holding Development)	38.7	117.10	**-0.59**	70.5	32.4
Westpac Bking Australia (Banks)	61.9	23.60	**-0.84**	50.1	-1.4
CNOOC Hong Kong (Exploration Production)	69.1	12.00	**-0.99**	50.0	72.9
JFE Hldgs Japan (Iron Steel)	20.3	3,440	**-1.15**	41.9	-42.4
PetroChina Hong Kong (Integrated Oil Gas)	25.6	9.40	**-1.16**	30.6	-8.7

Sources: Dow Jones Indexes; WSJ Market Data Group

Tracking credit markets & dealmakers

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Hedge funds

Dow Jones Hedge Benchmark	TOTAL RETURN for rolling periods, net of fees* One week	One month	One quarter	Year to date	One year
Merger Arbitrage	0.15%	0.67%	1.4%	7.9%	8.1%
Event Driven	-0.01	1.15	3.6	14.7	14.8
Equity Long/Short	0.53	0.81	-0.4	3.8	-2.6

*Estimates as of 12/14/09, after fees; Source: www.djhedgefundindexes.com

Credit derivatives

Spreads on credit derivatives are one way the market rates creditworthiness. Regions that are treading in rough waters can see spreads swing toward the maximum—and vice versa. Indexes below are for five-year swaps.

Markit iTraxx Indexes

Index: series/version	Mid-spread, in pct. pts.	Mid-price	Coupon	SPREAD RANGE, in pct. pts. since most recent roll Maximum	Minimum	Average
Europe: 12/1	0.81	100.89%	0.01%	1.00	0.78	0.86
Eur. High Volatility: 12/1	1.20	99.08	0.01	1.76	1.17	1.41
Europe Crossover: 12/1	4.80	100.79	0.05	6.15	4.76	5.29
Asia ex-Japan IG: 12/1	0.96	100.18	0.01	1.29	0.96	1.09
Japan: 12/1	1.38	98.18	0.01	1.68	0.99	1.33

Note: Data as of December 15

Spreads

Spreads on five-year swaps for corporate debt; based on Markit iTraxx indexes.

Source: Markit Group

Credit-default swaps: Asian companies

At its most basic, the pricing of credit-default swaps measures how much a buyer has to pay to purchase-and how much a seller demands to sell-protection from default on an issuer's debt. The snapshot below gives a sense which way the market was moving yesterday.

Showing the biggest improvement...

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
Obayashi Corp	214	**-15**	1	28
Marubeni Corp	214	**-11**	14	29
Indl Bk Korea	94	**-5**	-8	-8
Sumitomo Mitsui Bkg	74	**-5**	-1	0
Korea Dep Ins	72	**-5**	-5	-8
Hana Bank	101	**-5**	-7	-9
Rep Indonesia	190	**-5**	-15	1
Kookmin Bank	97	**-4**	-6	-8
Genting Bhd	98	**-4**	-5	-8
Promise Co	981	**-4**	-12	200

And the most deterioration

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
Mitsui Fudosan	88	**1**	-2	10
Mitsubishi Estate	63	**1**	4	3
Kobe Stl Ltd	123	**1**	-1	-2
Honda Mtr Co Ltd	70	**1**	0	0
Daiwa Secs Gp Inc	137	**1**	-9	7
Softbank Corp	454	**1**	8	11
Casio Computer	57	**2**	-1	1
Nec Electrs Corp	253	**2**	-4	-1
Nomura Secs	170	**4**	-1	24
Nishimatsu Constr	543	**19**	-6	55

Source: Markit Group

Behind Asia's deals: Bank revenue rankings, Australia

Behind every IPO, bond offering, merger deal or syndicated loan is one or more investment banks. Here are investment banks ranked by year-to-date revenues from recent deals.

	Revenue, in millions	Market share	PERCENTAGE OF TOTAL REVENUE Equity capital markets	Debt capital markets	Mergers & acquisitions	Loans
UBS	$285	14.5%	84%	10%	7%	...
Macquarie Group	233	11.8	58	1	40	1%
Deutsche Bank	193	9.8	78	15	7	...
Goldman Sachs	148	7.5	58	18	23	...
JPMorgan	145	7.4	62	24	13	...
Credit Suisse	129	6.6	80	8	11	...
RBS	116	5.9	79	15	4	2
Citi	98	5.0	41	36	22	...
Bank of America Merrill Lynch	54	2.7	57	42	...	1

Source: Dealogic

GLOBAL MARKETS LINEUP

Commodities

Prices of futures contracts with the most open interest

EXCHANGE LEGEND: CBOT: Chicago Board of Trade; **CME:** Chicago Mercantile Exchange; **NYBOT:** New York Board of Trade; **MDEX:** Bursa Malaysia Derivatives Berhad; **LIFFE:** London International Financial Futures Exchange; **LME:** London Mercantile Exchange; **NYMEX:** New York Mercantile Exchange; **ICE:** IntercontinentalExchange

	Commodity	Exchange	Last price	ONE-DAY CHANGE Net	ONE-DAY CHANGE Percentage	Contract high	Contract low
	Corn (cents/bu.)	CBOT	405.25	-2.25	-0.55%	712.25	315.50
	Soybeans (cents/bu.)	CBOT	1067.50	5.50	0.52%	1,560.00	805.00
	Wheat (cents/bu.)	CBOT	536.00	-0.75	-0.14	1,029.25	459.00
	Live cattle (cents/lb.)	CME	84.925	0.975	1.16	108.600	81.900
	Cocoa ($/ton)	ICE-US	3,481	116	3.45	3,485	1,994
	Coffee (cents/lb.)	ICE-US	148.65	1.40	0.95	188.65	115.00
	Sugar (cents/lb.)	ICE-US	25.99	1.17	4.71	26.25	11.91
	Cotton (cents/lb.)	ICE-US	76.08	1.20	1.60	84.00	49.67
	Crude palm oil (ringgit/ton)	MDEX	2,580.00	55	2.18	2,606	2,013
	Cocoa (pounds/ton)	LIFFE	2,303	46	2.04	2,308	1,310
	Robusta coffee ($/ton)	LIFFE	1,376	3	0.22	1,955	1,295
	Copper (cents/lb.)	COMEX	320.35	6.20	1.97	365.00	135.50
	Gold ($/troy oz.)	COMEX	1137.70	15.30	1.36	1,227.50	762.30
	Silver (cents/troy oz.)	COMEX	1751.00	6.90	0.40	2,011.50	1,045.00
	Aluminum ($/ton)	LME	2,279.00	46.00	2.06	2,283.00	1,288.00
	Tin ($/ton)	LME	15,350.00	75.00	0.49	15,700.00	9,750.00
	Copper ($/ton)	LME	6,994.50	149.50	2.18	7,100.00	2,815.00
	Lead ($/ton)	LME	2,390.00	70.00	3.02	2,487.00	870.00
	Zinc ($/ton)	LME	2,400.00	88.50	3.83	2,406.00	1,070.00
	Nickel ($/ton)	LME	17,205	320	1.90	21,150	9,475
	Crude oil ($/bbl.)	NYMEX	72.86	2.17	3.07	117.00	47.60
	Heating oil ($/gal.)	NYMEX	1.9920	0.0652	3.38	3.5570	1.3816
	RBOB gasoline ($/gal.)	NYMEX	1.9119	0.0416	2.22	2.1342	1.2304
	Natural gas ($/mmBtu)	NYMEX	5.580	0.003	0.05	12.590	4.550
	Brent crude ($/bbl.)	ICE-EU	74.71	1.84	2.53	145.00	50.00
	Gas oil ($/ton)	ICE-EU	604.50	14.25	2.41	790.00	443.50

Source: Thomson Reuters; WSJ Market Data Group

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Currencies

London close on Dec. 16

AMERICAS	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Argentina peso-a	5.5583	0.1799	3.8123	0.2623
Brazil real	2.5489	0.3923	1.7482	0.5720
Canada dollar	1.5441	0.6476	1.0591	0.9442
1-mo. forward	1.5441	0.6476	1.0590	0.9443
3-mos. forward	1.5441	0.6476	1.0591	0.9442
6-mos. forward	1.5441	0.6476	1.0591	0.9442
Chile peso	726.16	0.001377	498.05	0.002008
Colombia peso	2921.69	0.0003423	2003.90	0.0004990
Ecuador US dollar-f	1.4580	0.6859	1	1
Mexico peso-a	18.4973	0.0541	12.6868	0.0788
Peru sol	4.1823	0.2391	2.8685	0.3486
Uruguay peso-e	28.650	0.0349	19.650	0.0509
U.S. dollar	1.4580	0.6859	1	1
Venezuela bolivar	3.13	0.319411	2.15	0.465701
ASIA-PACIFIC				
Australia dollar	1.6205	0.6171	1.1115	0.8997
China yuan	9.9552	0.1005	6.8280	0.1465
Hong Kong dollar	11.3041	0.0885	7.7532	0.1290
India rupee	67.9136	0.0147	46.5800	0.0215
Indonesia rupiah	13800	0.0000725	9465	0.0001057
Japan yen	130.59	0.007657	89.57	0.011164
1-mo. forward	130.56	0.007659	89.55	0.011168
3-mos. forward	130.51	0.007662	89.52	0.011171
6-mos. forward	130.38	0.007670	89.43	0.011183
Malaysia ringgit-c	4.9929	0.2003	3.4245	0.2920
New Zealand dollar	2.0221	0.4945	1.3869	0.7211
Pakistan rupee	122.691	0.0082	84.150	0.0119
Philippines peso	67.505	0.0148	46.300	0.0216
Singapore dollar	2.0339	0.4917	1.3950	0.7168
South Korea won	1699.01	0.0005886	1165.30	0.0008582
Taiwan dollar	47.152	0.02121	32.340	0.03092
Thailand baht	48.384	0.02067	33.185	0.03013

EUROPE	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Euro zone euro	1	1	0.6859	1.4580
1-mo. forward	1.0001	0.9999	0.6859	1.4579
3-mos. forward	1.0003	0.9997	0.6860	1.4576
6-mos. forward	1.0007	0.9993	0.6863	1.4570
Czech Rep. koruna-b	26.248	0.0381	18.003	0.0555
Denmark krone	7.4416	0.1344	5.1040	0.1959
Hungary forint	276.66	0.003615	189.75	0.005270
Norway krone	8.3715	0.1195	5.7418	0.1742
Poland zloty	4.1713	0.2397	2.8610	0.3495
Russia ruble-d	44.071	0.02269	30.227	0.03308
Sweden krona	10.4352	0.0958	7.1572	0.1397
Switzerland franc	1.5105	0.6620	1.0360	0.9653
1-mo. forward	1.5101	0.6622	1.0357	0.9655
3-mos. forward	1.5095	0.6625	1.0353	0.9659
6-mos. forward	1.5081	0.6631	1.0344	0.9668
Turkey lira	2.1948	0.4556	1.5054	0.6643
U.K. pound	0.8892	1.1246	0.6099	1.6397
1-mo. forward	0.8894	1.1244	0.6100	1.6394
3-mos. forward	0.8897	1.1240	0.6102	1.6388
6-mos. forward	0.8901	1.1234	0.6105	1.6379
MIDDLE EAST/AFRICA				
Bahrain dinar	0.5497	1.8193	0.3770	2.6526
Egypt pound-a	8.0161	0.1247	5.4980	0.1819
Israel shekel	5.4988	0.1819	3.7715	0.2651
Jordan dinar	1.0319	0.9691	0.7078	1.4129
Kuwait dinar	0.4164	2.4015	0.2856	3.5014
Lebanon pound	2190.64	0.0004565	1502.50	0.0006656
Saudi Arabia riyal	5.4680	0.1829	3.7504	0.2666
South Africa rand	10.7542	0.0930	7.3760	0.1356
United Arab dirham	5.3552	0.1867	3.6730	0.2723
SDR -f	0.9213	1.0854	0.6319	1.5825

a-floating rate b-commercial rate c-government rate c-commercial rate d-Russian Central Bank rate f-Special Drawing Rights from the International Monetary Fund ; based on exchange rates for U.S., British and Japanese currencies.
Note: Based on trading among banks in amounts of $1 million and more, as quoted by Thomson Reuters.

Major stock market indexes

Stock indexes from around the world, grouped by region. Shown in local-currency terms.

Price-to-earnings ratio*	Region/Country	Index	PREVIOUS SESSION Close	Net change	Percentage change	PERFORMANCE Yr.-to-date	52-wk.
33	**ASIA-PACIFIC**	**DJ Asia-Pacific**	122.31	0.38	0.31%	30.7%	30.4%
...	Australia	**SPX/ASX 200**	4661.91	-11.58	-0.25%	25.2	30.6
...	China	**CBN 600**	28985.86	-166.00	-0.57	96.3	79.5
20	Hong Kong	**Hang Seng**	21611.74	-202.18	-0.93	50.2	39.8
19	India	**Sensex**	16912.77	35.61	0.21	75.3	74.1
...	Indonesia	**Jakarta Composite**	2522.545	27.808	1.11	86.1	84.9
...	Japan	**Nikkei Stock Average**	10177.41	93.93	0.93	14.9	18.2
...		**Topix**	898.29	13.66	1.54	4.5	7.1
...	Malaysia	**Kuala Lumpur Composite**	1269.03	-1.78	-0.14	44.7	47.1
...	New Zealand	**NZSX-50**	3132.304	15.190	0.49	15.3	16.2
8	Pakistan	**KSE 100**	9253.66	-12.38	-0.13	57.8	14.2
16	Philippines	**Manila Composite**	3032.37	-14.20	-0.47	61.9	59.2
...	Singapore	**Straits Times**	2813.93	15.23	0.54	59.7	58.1
11	South Korea	**Kospi**	1664.24	-1.61	-0.10	48.0	42.3
21	Taiwan	**Weighted**	7751.60	-56.02	-0.72	68.8	66.8
10	Thailand	**SET**	716.01	6.37	0.90	59.1	60.6
50	**EUROPE**	**DJ Stoxx 600**	250.07	2.90	1.17	27.0	26.6
22		**DJ Stoxx 50**	2540.09	34.27	1.37	23.0	23.1
62	**Euro Zone**	**DJ Euro Stoxx**	271.41	2.90	1.08%	21.8%	22.4%
20		**DJ Euro Stoxx 50**	2923.33	34.75	1.20	19.2	19.6
18	Denmark	**OMX Copenhagen**	315.47	4.09	1.31	39.5	36.5
20	Finland	**OMX Helsinki**	6267.31	24.54	0.39	16.0	17.1
19	France	**CAC-40**	3875.82	41.73	1.09	20.4	19.6
...	Germany	**DAX**	5903.43	92.09	1.58	22.7	25.4
16	Italy	**FTSE MIB**	22889.59	272.36	1.20	17.6	18.3
...	Netherlands	**AEX**	328.61	3.42	1.05	33.6	32.6
...	Russia	**RTSI**	1449.02	52.70	3.77	129.3	107.0
11	Spain	**IBEX 35**	11863.2	127.7	1.09	29.0	29.0
14	Switzerland	**SMI**	6532.32	92.92	1.44	18.0	17.7
...	Turkey	**ISE National 100**	50817.25	367.73	0.73	89.2	89.9
15	U.K.	**FTSE 100**	5320.26	34.49	0.65	20.0	23.0
21	**AMERICAS**	**DJ Americas**	295.59	1.87	0.64	30.7	29.4
...	Brazil	**Bovespa**	69451.37	140.57	0.20	85.0	76.4
...	Argentina	**Merval**	2236.09	21.18	0.96	107.1	95.1
20	Mexico	**IPC**	32030.38	127.78	0.40	43.1	42.3

*P/E ratios use trailing 12-months, as-reported earnings
European and Americas index data are as of 12:00 p.m. ET.

Sources: Thomson Reuters; WSJ Market Data Group

Reuters Group PLC is the primary data provider for several statistical tables in The Wall Street Journal, including foreign stock quotations, futures and futures options prices, and foreign exchange tables. Reuters real-time data feeds are used to calculate various Dow Jones Indexes.

Dow Jones and Dow Jones Stoxx Indexes

Dividend yield*	Price-to-earnings ratio*	Dows Jones Index	Last	Net change	PERFORMANCE Daily	Year-to-date	52-wk.	Three-yr., annualized
		DJ Global Index	226.11	1.58	1.58%	30.5%	0.7%	-6.6%
1.89%	21	**Global DOW**	1975.21	8.51	8.51	27.9	0.4	-2.3
2.38		**Asia/Pacific 600**	115.11	0.80	0.80	20.2	0.7	-7.4
2.38		**Emerging Markets**	275.78	0.66	0.66	73.0	0.2	3.5
2.38		**Asia/Pacific**	122.31	0.38	0.38	30.4	0.3	-5.4
2.38		**Asia/Pacific ex-Japan**	306.48	-1.81	-1.81	66.0	-0.6	0.5
2.38		**Southeast Asia**	154.17	-0.45	-0.45	69.0	-0.3	1.9
0.83	31	**CBN China 600** -c	28985.86	-166.00	-166.00	79.5	-0.6	26.0
0.86	34	**Shanghai**	386.93	-1.59	-1.59	80.2	-0.4	26.2
0.58	48	**Shenzhen**	416.37	-3.78	-3.78	98.2	-0.9	32.2
2.21	19	**China Offshore 50**	4048.29	-42.04	-42.04	42.4	-1.0	9.9
8.95	9	**Australia LPT** -c, d	1085.55	-18.86	-18.86	4.1	-1.7	-21.6
2.17%	15	**Islamic Market**	1961.81	12.62	12.62%	31.6%	0.7%	-2.0%
2.48	16	**Islamic Market 100**	2112.88	11.49	11.49	19.9	0.6	-2.8
9.74	15	**Bahrain**	120.74	0.00	0.00	-25.4	0.0	-12.9
2.81	33	**Kuwait**	200.53	2.93	2.93	-23.2	1.5	-14.1
2.65	20	**Sustainability**	1010.58	7.55	7.55	28.7	0.8	-7.2
2.72	50	**Stoxx 600 -p**	268.71	-1.67	-1.67	31.4	-0.6	-9.1
4.74	17	**Stoxx Select Div 30 -p**	1768.74	-11.54	-11.54	29.3	-0.7	-21.2
3.98	23	**Euro Stoxx Sel Div 30 -p**	2101.22	-17.56	-17.56	30.4	-0.8	-16.7
1.77	29	**DJ U.S. TSM**	11457.57	72.17	72.17	26.4	0.6	-7.2
3.97	16	**U.S. Select Dividend -d**	654.88	2.60	2.60	13.0	0.4	-9.8
4.61		**U.S. REIT**	143.42	1.11	1.11	16.9	0.8	-18.7
		DJ-UBS Commodity -p	134.72	0.27	0.27	18.5	0.2	-7.2

*Fundamentals are based on data in U.S. dollar. Footnotes: c-in local currency. d-dividends reinvested. p-previous day. Note: All data as of 11:30 a.m. ET.

Source: Dow Jones Indexes

Cross rates

U.S.-dollar and euro foreign-exchange rates in global trading

	US$	A$	£	C$	YUAN	EURO	HK$	RUPEE	RUPIAH	YEN	NZ$	WON	RINGGIT	PH. PESO	S$	S FRANC	TW$	BAHT
U.S.		1.111	0.610	1.059	6.828	0.686	7.753	46.580	9465.22	89.570	1.387	1165.30	3.425	46.300	1.395	1.036	32.340	33.185
Australia	0.900		0.549	0.953	6.143	0.617	6.976	41.908	8515.85	80.586	1.248	1048.42	3.081	41.656	1.255	0.932	29.096	29.857
Britain	1.640	1.822		1.737	11.196	1.125	12.713	76.377	15520.11	146.868	2.274	1910.74	5.615	75.918	2.287	1.699	53.028	54.413
Canada	0.944	1.050	0.576		6.447	0.648	7.321	43.983	8937.46	84.576	1.310	1100.32	3.234	43.718	1.317	0.978	30.537	31.335
China	0.1465	0.163	0.089	0.155		0.100	1.136	6.822	1386.25	13.118	0.203	170.67	0.502	6.781	0.204	0.152	4.736	4.860
Euro	1.458	1.621	0.889	1.544	9.955		11.304	67.914	13800.28	130.593	2.022	1699.00	4.993	67.505	2.034	1.510	47.152	48.384
Hong Kong	0.129	0.143	0.079	0.137	0.881	0.088		6.008	1220.82	11.553	0.179	150.30	0.442	5.972	0.180	0.134	4.171	4.280
India	0.0215	0.0239	0.0131	0.0227	0.1466	0.0147	0.1664		203.20	1.9229	0.0298	25.02	0.0735	0.9940	0.0299	0.0222	0.6943	0.7124
Indonesia	0.0001	0.0001	0.0001	0.0001	0.0007	0.0001	0.0008	0.0049		0.0095	0.0001	0.12	0.0004	0.0049	0.0001	0.0001	0.0034	0.0035
Japan	0.011	0.012	0.007	0.012	0.076	0.008	0.087	0.520	105.67		0.015	13.01	0.038	0.517	0.016	0.012	0.361	0.370
New Zealand	0.721	0.801	0.440	0.764	4.923	0.495	5.590	33.587	6824.89	64.584		840.24	2.469	33.385	1.006	0.747	23.319	23.928
South Korea	0.0009	0.0010	0.0005	0.0009	0.0059	0.0006	0.0067	0.0400	8.12	0.0769	0.0012		0.0029	0.0397	0.0012	0.0009	0.0278	0.0285
Malaysia	0.292	0.325	0.178	0.309	1.994	0.200	2.264	13.602	2763.97	26.156	0.405	340.28		13.520	0.407	0.303	9.444	9.690
Philippines	0.022	0.024	0.013	0.023	0.147	0.015	0.167	1.006	204.43	1.935	0.030	25.17	0.074		0.030	0.022	0.698	0.717
Singapore	0.717	0.797	0.437	0.759	4.895	0.492	5.558	33.391	6785.10	64.208	0.994	835.34	2.455	33.190		0.743	23.183	23.789
Switzerland	0.965	1.073	0.589	1.022	6.591	0.662	7.484	44.961	9136.31	86.458	1.339	1124.80	3.306	44.691	1.347		31.216	32.032
Taiwan	0.031	0.034	0.019	0.033	0.211	0.021	0.240	1.440	292.68	2.770	0.043	36.03	0.106	1.432	0.043	0.032		1.026
Thailand	0.030	0.033	0.018	0.032	0.206	0.021	0.234	1.404	285.23	2.699	0.042	35.12	0.103	1.395	0.042	0.031	0.975	

Source: Thomson Reuters via WSJ Market Data Group

MSCI indexes

Developed and emerging-market regional and country indexes from MSCI Barra as of December. 16, 2009

Dividend yield	Price-to-earnings ratio	Morgan Stanley Index	Last	LOCAL-CURRENCY PERFORMANCE Daily	YTD	52-wk.
2.50%	25	**ALL COUNTRY (AC) WORLD***	296.50	-0.58%	30.2%	34.7%
2.50	26	**World (Developed Markets)**	1,157.84	-0.60	25.8	29.7
1.90	124	**World Small Cap**	186.81	-0.41	39.2	47.3
2.60	22	**Kokusai (World ex-Japan)**	1,146.94	-0.51	28.5	31.7
3.10	26	**EAFE**	1,565.94	-0.75	26.5	34.0
2.20	20	**Emerging Markets (EM)**	975.01	-0.43	71.9	85.0
2.60	25	**AC ASIA PACIFIC EX-JAPAN**	407.64	-0.47	64.8	79.2
2.10	25	**AC Far East ex-Japan**	442.91	-0.54	62.4	78.7
1.80	-35	**Japan**	552.24	-0.06	4.2	7.1
1.90	20	**China**	65.00	-1.02	59.4	76.1
0.90	39	**China A (China Domestic)**	3,401.47	-0.71	96.1	95.7
2.60	23	**Hong Kong**	10,159.72	-0.92	55.0	60.8
1.00	21	**India**	683.96	-1.41	85.2	97.5
1.10	24	**Korea**	475.50	0.11	54.9	59.1
2.40	21	**Malaysia**	469.80	0.49	46.2	48.0
3.10	17	**Singapore**	1,566.48	-0.01	57.2	59.3
2.70	315	**Taiwan**	280.99	-0.25	62.1	67.7
3.10	20	**Thailand**	288.55	0.02	55.9	73.8
4.00	25	**Australia**	961.18	0.50	25.6	24.5
5.30	16	**New Zealand**	83.16	0.55	9.5	7.3
1.90	32	**US BROAD MARKET**	1,225.10	-0.49	24.7	26.7
3.40	17	**EUROPE**	85.97	0.05	23.8	18.9

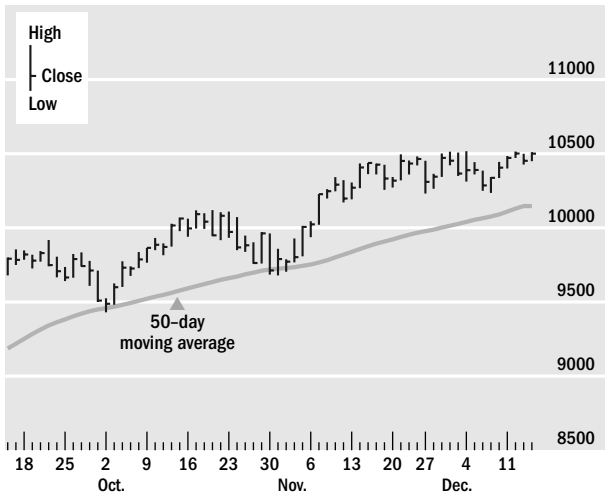
*Twenty-three developed and 26 emerging markets

Source: MSCI Barra

SCANNING THE GLOBE

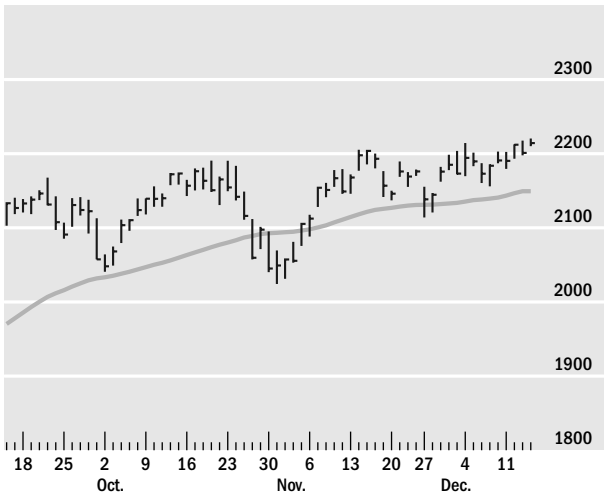
Dow Jones Industrial Average P/E: 18

LAST: **10500.22** ▲ 48.22, or 0.46%
YEAR TO DATE: ▲ **1,723.83, or 19.6%**
OVER 52 WEEKS ▲ **1,675.88, or 19.0%**



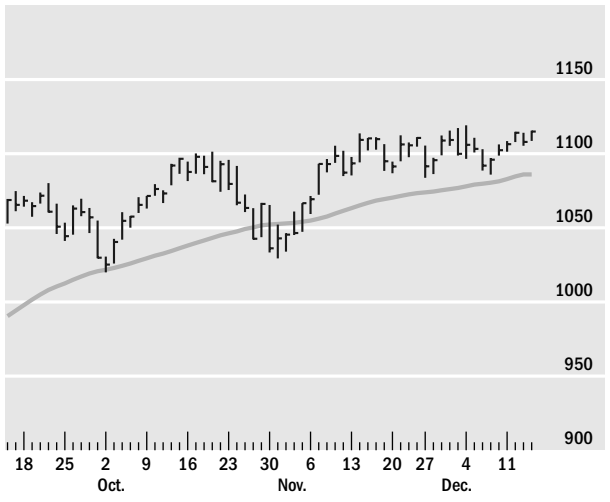
Nasdaq Composite Index P/E: 44*

LAST: **2214.29** ▲ 13.24, or 0.60%
YEAR TO DATE: ▲ **637.26, or 40.4%**
OVER 52 WEEKS ▲ **634.98, or 40.2%**



S&P 500 Index P/E: 73

LAST: **1114.93** ▲ 7.00, or 0.63%
YEAR TO DATE: ▲ **211.68, or 23.4%**
OVER 52 WEEKS ▲ **210.51, or 23.3%**



*Price-to-earnings ratio for the Nasdaq 100 Note: Price-to-earnings ratios are for trailing 12 months

Sources: WSJ Market Data Group; Birinyi Associates

DJIA component stocks

Stock	Symbol	Volume, in millions	Latest	CHANGE Points	CHANGE Percentage
AT&T	T	**9.80**	$27.70	0.10	**0.36%**
Alcoa	AA	**17.40**	14.93	0.25	**1.70**
AmExpress	AXP	**4.10**	41.69	0.73	**1.78**
BankAm	BAC	**53.30**	15.38	0.19	**1.25**
Boeing	BA	**3.50**	54.47	-1.20	**-2.16**
Caterpillar	CAT	**2.50**	58.78	0.58	**1.00**
Chevron	CVX	**3.80**	78.06	0.69	**0.89**
CiscoSys	CSCO	**15.40**	23.47	-0.01	**-0.05**
CocaCola	KO	**2.30**	58.90	-0.16	**-0.27**
Disney	DIS	**4.10**	32.42	0.24	**0.75**
DuPont	DD	**1.80**	32.83	0.64	**1.99**
ExxonMobil	XOM	**17.00**	69.41	0.24	**0.35**
GenElec	GE	**29.10**	15.77	0.02	**0.11**
HewlettPk	HPQ	**5.90**	51.45	0.46	**0.90**
HomeDpt	HD	**5.40**	28.98	-0.04	**-0.14**
Intel	INTC	**39.40**	19.46	-0.34	**-1.72**
IBM	IBM	**1.70**	129.23	0.74	**0.58**
JPMorgChas	JPM	**13.50**	41.37	0.51	**1.25**
JohnsJohns	JNJ	**2.60**	64.94	0.20	**0.31**
KftFoods	KFT	**3.80**	27.20	0.37	**1.38**
McDonalds	MCD	**1.90**	62.53	0.53	**0.85**
Merck	MRK	**5.50**	37.70	-0.30	**-0.79**
Microsoft	MSFT	**17.90**	30.36	0.34	**1.13**
Pfizer	PFE	**12.30**	18.45	0.16	**0.86**
ProctGamb	PG	**3.10**	62.54	0.42	**0.68**
3M	MMM	**1.30**	82.36	-0.34	**-0.41**
TravelersCos	TRV	**1.50**	50.01	-0.40	**-0.80**
UnitedTech	UTX	**1.90**	70.41	0.16	**0.23**
Verizon	VZ	**6.80**	32.81	-0.20	**-0.61**
WalMart	WMT	**4.80**	53.73	-0.25	**-0.46**

U.S. stocks: most active...

Stock	Symbol	Volume, in millions	Latest	CHANGE Points	CHANGE Percentage
Citigroup	C	**492.7**	$3.49	–$0.07	**–1.97%**
BankAm	BAC	**55.5**	15.38	0.19	**1.25**
SPDR S&P 500	SPY	**47.1**	111.96	0.61	**0.55**
FannieMae	FNM	**45.8**	1.08	–0.10	**–8.48**
WellsFargo	WFC	**43.5**	25.94	0.28	**1.07**
Intel	INTC	**40.9**	19.45	–0.35	**–1.77**
FredMac	FRE	**36.0**	1.37	–0.11	**–7.43**
SPDR FnclSelSct	XLF	**35.8**	14.38	0.14	**0.98**
DeltaPet	DPTR	**35.2**	1.32	0.26	**24.53**
FordMotor	F	**29.8**	9.47	0.08	**0.85**
GenElec	GE	**29.5**	15.76	0.01	**0.06**
PwrShrs QQQ	QQQQ	**28.1**	44.59	0.29	**0.65**
AdvMicro	AMD	**27.7**	9.26	0.44	**4.99**
iShrRu2000	IWM	**25.2**	61.31	0.40	**0.66**
NVIDIA	NVDA	**22.4**	16.75	1.10	**7.03**

Biggest gainers...

AchillionPharm	ACHN	**6,152.7**	$3.32	$1.17	**54.42%**
FstBcp	FBP	**3,852.8**	2.78	0.70	**33.65**
FstBcp MIPS B	FBPB	**5.7**	11.90	2.12	**21.68**
MizuhoFnl ADS	MFG	**1,128.3**	4.14	0.64	**18.32**
FstBcp MIPS C	FBPC	**2.5**	12.00	1.77	**17.30**

...Biggest losers

Playboy A	PLAA	**6.0**	$4.11	-$0.64	**-13.56%**
Technitrol	TNL	**703.2**	4.68	-0.73	**-13.49**
AstaFdng	ASFI	**107.5**	7.32	-1.08	**-12.85**
EDAP TMS ADS	EDAP	**184.9**	2.87	-0.42	**-12.77**
Playboy B	PLA	**979.8**	3.37	-0.47	**-12.24**

ADRs of Asian companies*

52-WEEK High	52-WEEK Low	Stock	Symbol	Volume, in OOOs	Latest	CHANGE Points	CHANGE Percentage
$11.39	$6.36	**Taiwan Semi**	TSM	**4,622.0**	$10.98	0.18	**1.67%**
11.73	6.25	**AU Optrncs**	AUO	**2,050.3**	10.78	-0.14	**-1.28**
6.84	3.71	**Mitsu UFJ Fnl**	MTU	**1,632.3**	5.30	0.29	**5.79**
3.87	1.65	**Utd Microelectronics**	UMC	**1,065.4**	3.41	-0.03	**-0.87**
78.75	33.09	**BHP Billiton**	BHP	**1,060.2**	75.02	0.86	**1.16**
8.19	3.78	**Siliconware Prec Ind**	SPIL	**816.1**	6.49	-0.04	**-0.61**
4.63	1.49	**Adv Semi Engrg**	ASX	**659.4**	4.14	0.01	**0.24**
54.59	22.61	**Infosys Tech**	INFY	**614.3**	54.59	1.28	**2.40**
18.80	12.59	**SK Telecom**	SKM	**437.5**	16.87	0.14	**0.84**
32.79	9.91	**Aluminum Cp of China**	ACH	**430.1**	28.22	-0.35	**-1.22**
59.22	40.20	**China Mobile**	CHL	**375.2**	46.61	0.49	**1.06**
9.82	5.43	**Telecom Corp of NZ**	NZT	**240.6**	8.78	0.15	**1.74**
15.95	8.56	**China Unicom**	CHU	**238.7**	13.19	0.05	**0.38**
135.92	63.94	**PetroChina**	PTR	**208.9**	122.37	-0.73	**-0.59**
19.56	15.05	**ChunghwaTel**	CHT	**193.3**	18.03	-0.06	**-0.33**
22.15	5.11	**Yanzhou Coal Mining**	YZC	**192.3**	22.09	0.48	**2.22**
7.10	2.00	**Alumina**	AWC	**189.8**	6.37	0.07	**1.11**
17.79	11.30	**KT Corp**	KTC	**167.0**	17.70	0.06	**0.34**
81.00	37.43	**China Life Ins**	LFC	**165.6**	75.81	0.73	**0.97**
15.29	6.85	**Korea Elec Pwr**	KEP	**134.4**	14.08	0.13	**0.95**
9.50	3.96	**Nomura Hldgs**	NMR	**133.1**	7.73	0.30	**4.04**
94.00	46.45	**China Petro & Chem**	SNP	**131.8**	87.04	-0.94	**-1.07**
34.43	22.65	**Huaneng Power Intl**	HNP	**120.6**	22.90	-0.46	**-1.97**
30.82	15.64	**Sony**	SNE	**114.5**	29.18	0.19	**0.66**
87.67	56.79	**Toyota Motor**	TM	**108.0**	84.32	1.13	**1.36**
4.00	1.43	**SemiMfgInt**	SMI	**97.6**	3.07	-0.04	**-1.28**
27.96	17.71	**NTT**	NTT	**93.1**	20.71	0.21	**1.02**
34.52	19.60	**Honda Motor**	HMC	**92.2**	34.28	0.19	**0.56**
45.92	23.84	**Hitachi**	HIT	**79.1**	27.62	-0.08	**-0.28**
16.60	10.60	**Matsushita Elec**	PC	**78.6**	14.56	0.20	**1.39**

*Most active American depositary receipts tracked by Dow Jones

Source: WSJ Market Data Group

Global government bonds

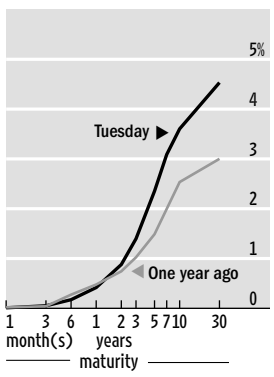
Latest, month-ago and year-ago yields and spreads over or under U.S. Treasurys on benchmark two-year and 10-year government bonds around the world. Data as of 11 a.m. ET

Coupon	Country/ Maturity, in years	Yield	SPREAD OVER TREASURYS, in basis points Latest	Previous	Month ago	Year ago	YIELD Previous	Month ago	Year ago
5.750%	**Australia** 2	**4.273%**	**344.2**	356.8	385.6	**220.1**	**4.455%**	4.670%	**2.863%**
4.500	10	**5.533**	**195.6**	199.0	218.7	**199.4**	**5.597**	5.613	**4.262**
5.250	**Austria** 2	**0.970**	**13.9**	12.6	7.0	**166.7**	**1.013**	0.884	**2.329**
4.350	10	**3.546**	**-3.1**	-1.0	21.7	**181.6**	**3.597**	3.643	**4.084**
3.500	**Belgium** 2	**1.105**	**27.4**	22.1	24.2	**189.5**	**1.108**	1.056	**2.557**
4.000	10	**3.594**	**1.7**	4.5	26.9	**170.5**	**3.652**	3.695	**3.973**
1.250	**Canada** 2	**1.284**	**45.3**	39.9	57.1	**62.1**	**1.286**	1.385	**1.283**
3.750	10	**3.409**	**-16.8**	-20.7	4.4	**67.4**	**3.400**	3.470	**2.942**
4.000	**Denmark** 2	**1.948**	**111.7**	111.1	145.9	**251.7**	**1.998**	2.273	**3.179**
4.000	10	**3.551**	**-2.6**	-2.4	26.9	**138.8**	**3.583**	3.695	**3.656**
1.500	**France** 2	**1.139**	**30.8**	29.3	45.9	**178.0**	**1.180**	1.273	**2.442**
3.750	10	**3.441**	**-13.6**	-12.1	19.3	**134.5**	**3.486**	3.619	**3.613**
1.250	**Germany** 2	**1.209**	**37.8**	37.5	38.5	**143.1**	**1.262**	1.199	**2.093**
3.250	10	**3.207**	**-37.0**	-37.3	-6.4	**87.2**	**3.234**	3.362	**3.140**
0.550	**Hong Kong** 2	**0.575**	**-25.6**	-34.8	-27.8	**23.6**	**0.539**	0.536	**0.898**
2.160	10	**2.589**	**-98.8**	-105.5	-111.9	**-64.6**	**2.552**	2.307	**1.622**
3.750	**Italy** 2	**1.475**	**64.4**	70.3	63.7	**273.0**	**1.590**	1.451	**3.392**
4.250	10	**3.999**	**42.2**	43.3	66.7	**219.1**	**4.040**	4.093	**4.459**
0.300	**Japan** 2	**0.171**	**-66.0**	-71.7	-55.4	**-13.2**	**0.170**	0.260	**0.530**
1.300	10	**1.266**	**-231.1**	-231.9	-204.6	**-89.3**	**1.288**	1.380	**1.375**
4.000	**Netherlands** 2	**0.816**	**-1.5**	1.7	7.4	**162.1**	**0.904**	0.888	**2.283**
4.000	10	**3.394**	**-18.3**	-14.6	15.2	**153.8**	**3.461**	3.578	**3.806**
3.200	**Portugal** 2	**1.253**	**42.2**	41.9	33.4	**227.1**	**1.306**	1.148	**2.933**
4.750	10	**3.879**	**30.2**	31.9	39.4	**184.1**	**3.926**	3.820	**4.109**
5.350	**Spain** 2	**1.503**	**67.2**	55.5	53.5	**207.3**	**1.442**	1.349	**2.735**
4.300	10	**3.799**	**22.2**	24.4	43.5	**171.1**	**3.851**	3.861	**3.979**
4.000	**Switzerland** 2	**0.369**	**-46.2**	-50.5	-35.3	**22.2**	**0.382**	0.461	**0.884**
3.000	10	**1.903**	**-167.4**	-168.1	-143.8	**-2.0**	**1.926**	1.988	**2.248**
3.250	**U.K.** 2	**1.232**	**40.1**	34.2	53.7	**90.8**	**1.229**	1.351	**1.570**
4.500	10	**3.898**	**32.1**	28.0	37.3	**113.5**	**3.887**	3.799	**3.403**
0.750	**U.S.** 2	**0.831**	**...**	...	...	**...**	**0.887**	0.814	**0.662**
3.375	10	**3.577**	**...**	...	...	**...**	**3.607**	3.426	**2.268**

Source: Thomson Reuters

U.S. Treasury yield curve

The curve shows the yield to maturity of current bills, notes and bonds; all data as of 3 p.m. ET.



Ryan Index	Yield to maturity	Modified duration	TOTAL RETURN Month to-date	Quarter to-date	Year to-date	12-month
30-year Treasury	**4.532%**	16.35	–5.24%	–6.73%	–24.43%	–20.07%
10-year Treasury	**3.603**	8.32	–3.15	–1.68	–7.74	–5.44
7 Year Treasury	**3.089**	6.27	–2.35	–0.08	...	...
Five-year Treasury	**2.353**	4.67	–1.51	0.69	0.67	0.85
Ryan Index	**2.642**	6.75	–2.22	–1.08	–5.43	–3.77
3 Year Treasury	**1.397**	2.94	–0.63	0.83	1.91	2.10
Two-year Treasury	**0.879**	1.94	–0.38	0.55	1.69	1.81
1 Year Treasury	**0.417**	1.00	–0.09	0.21	0.96	1.16
Six-month Treasury	**0.173**	0.50	0.00	0.07	0.63	0.72
Ryan Cash Index-a	**0.163**	0.46	–0.02	0.09	0.53	0.59
Three-month bill	**0.051**	0.25	0.01	0.05	0.36	0.35
One-month bill	**0.010**	0.08	0.01	0.02	0.14	0.15

a-Performance of a cash investment

Source: Ryan ALM

Key money rates

	Latest	52 wks ago
Prime rates		
U.S.	**3.25%**	3.25%
Canada	**2.25**	3.50
Japan	**1.475**	1.675
Britain	**0.50**	2.00
ECB	**1.00**	2.50
Switzerland	**0.53**	2.02
Australia	**3.75**	4.25
Hong Kong	**5.25**	n.a.
Libor		
One month	**0.23250%**	0.58125%
Three month	**0.25375**	1.57750
Six month	**0.45125**	1.89125
One year	**1.00375**	2.09875

	Latest	52 wks ago
Euro Libor		
One month	**0.45813%**	2.84875%
Three month	**0.67750**	3.14500
Six month	**0.98000**	3.24375
One year	**1.22625**	3.33500
Hibor		
One month	**0.05786**	0.44857%
Three month	**0.10857**	1.19429
Six month	**0.24571**	1.70714
One year	**0.58357**	2.04571
Asian dollars		
One month	**0.2445%**	0.66%
Three month	**0.2658**	1.6300
Six month	**0.4713**	1.9460
One year	**1.0188**	2.1400

	Offer	Bid
Eurodollars		
One month	**0.2900%**	0.1900%
Three month	**0.3200**	0.2200
Six month	**0.3900**	0.2900
One year	**0.6000**	0.5000

	Latest	52 wks ago
U.S. discount	**0.50%**	0.50%
Fed-funds target	**0.25**	0.25
Call money	**2.00**	2.00
Overnight repurchase rates		
U.S.	**0.25%**	0.10%
U.K. (BBA)	**0.487**	2.000
Euro zone	**0.36**	2.17

Sources: WSJ Market Data Group; Reuters

HEARD ON THE STREET

Email: heard@wsj.com FINANCIAL ANALYSIS & COMMENTARY WSJ.com/Heard

Just a breather for Japan's banks

The decision by global regulators to delay tighter capital rules for lenders should provide just a temporary stay for Japanese banks and their investors: Whether it takes an extra five years or a decade, the boom will fall in the end.

Japanese banks still will need to raise higher-quality capital that can readily absorb losses, and will have to do so through a combination of follow-on common equity issues and increased retained earnings. Unlike their better-capitalized Western and Asian peers, Japanese banks have a larger proportion of preferred securities and deferred tax assets, which are considered poorer-quality capital and will likely be excluded from core capital under the new rules, which are expected to be approved next year.

The Basel Committee on Banking Supervision had been expected to push banks to implement the stricter rules starting as early as 2012, but now is said to favor a laxer timeframe. That was welcome news to investors, who already this year have watched the Tokyo market absorb the highest amount of corporate and bank equity issues of the past decade, according to Dealogic.

Delay on Basel

Japan core Tier 1 capital, excluding deferred-tax assets, impact of potential new capital rules

	Current Core Tier 1	Core Tier 1 of 6%	Dilution
Mitsubishi UFJ	6.2%	N/A	N/A
Mizuho	3.5	$16.6 bil	60.3%
Sumitomo Mitsui	4.7	$8.2	26.7

Sources: Macquarie Research; Reuters (photo)

Relieved investors bid up financial-group stocks Wednesday, with **Mizuho** and **Sumitomo Mitsui** rising 15% and 14%, respectively.

For some, the decision comes too late: **Mitsubishi UFJ**, the Japanese lender with the strongest capital base, on Monday announced its offering price for plans to raise as much as $11.6 billion of fresh capital this month. At least that will give Mitsubishi a head start on its rivals, who at some point will have cash calls themselves.

Indeed, with the market pushing down banking stocks this year because of dilution concerns, peer pressure mounting after Mitsubishi's move and Japanese banks' generally weak earnings bases, potentially large fund-raising efforts do look likely at some point. Mizuho Financial Group, which is in greatest need of new capital, might have to raise $16.6 billion, diluting equity by 60.3% in one scenario, according to Macquarie Securities.

To be fair, proposals for a tighter time line took aim primarily at Western banks that were the immediate cause of the financial disaster. In that sense, Japanese banks would have been punished for a crime they didn't commit.

> The decision to allow banks more time to raise capital comes too late for some.

But investors with a longer-term interest in the health of Japan's banking sector should recognize these institutions are going to have to shore up their capital positions sooner or later.

—James Simms

OVERHEARD

Did **Goldman Sachs Group** scoop its own client? **Wells Fargo** was likely keen to be the first with details of its $10.4 billion common-stock sale Monday night. That is one of several steps the bank is taking to help it repay TARP. But at least four minutes before Wells announced the deal in a 6:13 p.m. statement, Goldman Sachs's U.S. banks analyst put out a research note with details of the capital-raising. Goldman is a lead underwriter on the offering.

Asked why Goldman's note seemed to break important features of the deal, a Goldman spokesman said Wells had filed a registration statement an hour earlier. But that document didn't contain details that were in both Wells's news release and Goldman's research note.

The Goldman spokesman says: "The rules allow for...the publication of research after the offer has been made public."

—overheard@wsj.com

Exxon's XTO deal sends a mixed message on gas

When the world's largest listed energy company breaks a 10-year hiatus on strategic deals to pony up $31 billion for a natural-gas company, it should be bullish for gas prices. But how bullish?

Exxon Mobil, which is buying U.S. natural-gas producer **XTO Energy**, plans in terms of decades. Exxon paid with its own stock and readily admits the deal could dilute earnings per share. Clearly, it sees a day when natural-gas prices rouse from their current slump, but the timing remains open to question.

XTO's decision to sell, meanwhile, can be read as capitulation. Jonathan Wolff of Credit Suisse points out that its stock price has grown at a compound rate of 24.2% a year since 1993. Yet it has accepted a premium of just 25%.

A look at the U.S. gas forward curve suggests why. Spot prices have risen 43% in the past six months, but futures out to 2014 have dropped by 10% on average. The success of producers at unlocking North America's large unconventional gas reserves, coinciding with recession, lies behind this.

Energy investment bank Tudor, Pickering, Holt & Co. reckons XTO's move fits with actions elsewhere in the sector, such as **EOG Resources** shifting its portfolio toward oil and shale oil, and gas driller **BJ Services** selling to **Baker Hughes**.

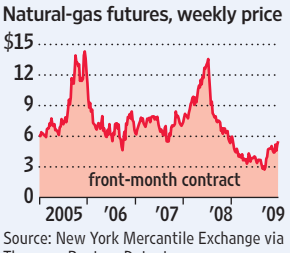
It is hard to see which majors might do a deal of similar size. **Chevron** enjoys decent production growth already, and **ConocoPhillips** is busy restructuring. Across the Atlantic, only **Total** of France looks like a possibility.

The possibility remains that independent gas producers merge. In theory, this would rationalize investment, offering support for gas prices. In practice, getting agreement on merger terms won't be easy.

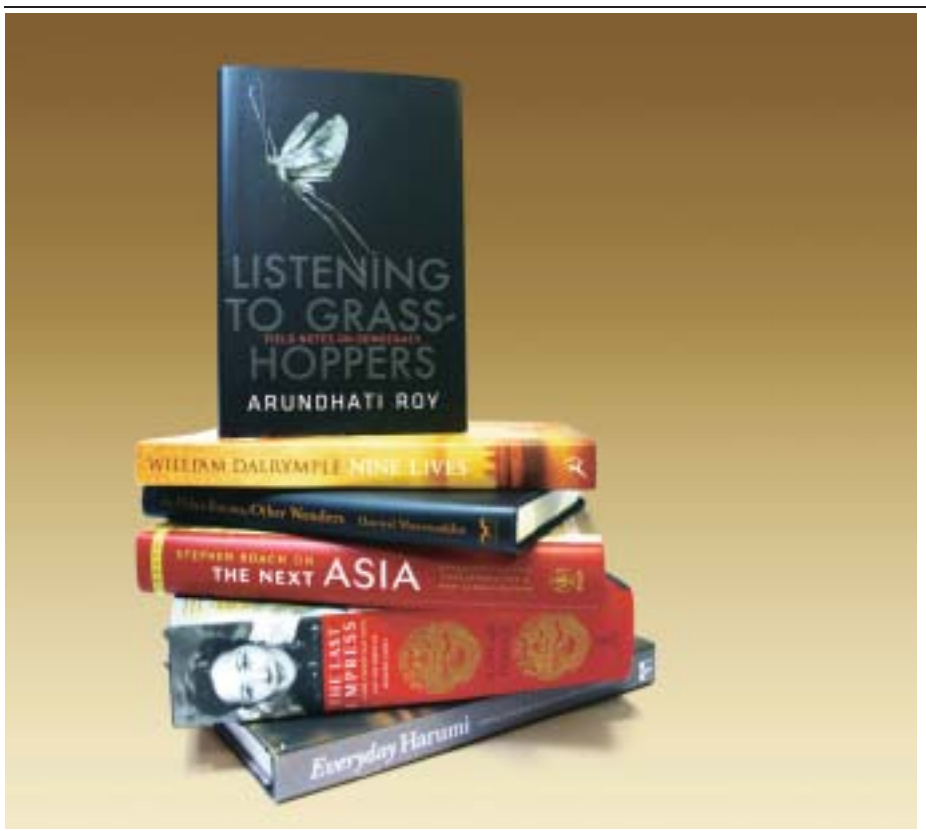
—Liam Denning

The price of success

Natural-gas futures, weekly price



Source: New York Mercantile Exchange via Thomson Reuters Datastream



WEEKEND JOURNAL. ASIA

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MARKETS LINEUP

Moving the markets

At right, Japan's benchmark stock index and the biggest movers among the larger Asian stocks indexes and stocks Wednesday. Below each index are its most actively traded stocks. The charts show the percentage change in each index's or stock's value, rather than the point change, for purposes of comparison. The index level or stock price is indicated on each axis. All indexes and stocks are shown in local currency terms.

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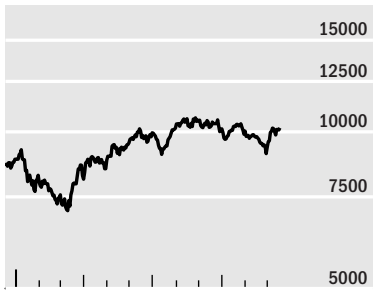
Asian index movers...

Nikkei Stock Average
Japan 10177.41
▲ **0.93% or 93.93**

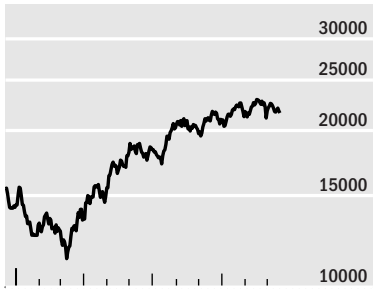
Banks soared, boosting the index to its highest close in seven weeks. Mitsubishi UFJ Financial and Shinsei Bank were among the gainers. East Japan Railway also rose.



Stock	Volume in millions	Close	Change Net	Change %
Mizuho Financial	**708.89**	182	24	15.19
Mtshbsh Fin Grp	**278.51**	470	22	4.91
Hitachi	**70.03**	245	–2	–0.81
Nomura Hldgs	**55.88**	684	20	3.01
Shinsei Bank	**48.88**	118	14	13.46

Hang Seng
Hong Kong 21611.74
▼ **0.93% or 202.18**

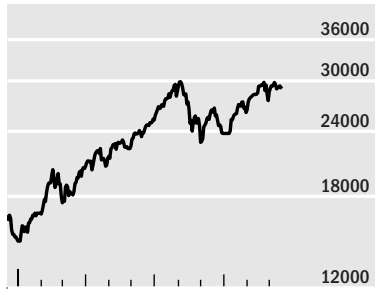
Chinese developers and banks led the index's decline on concerns Beijing will take measures to prevent a property bubble. Continued fund outflows also weighed.



Stock	Volume in millions	Close	Change Net	Change %
Bank Of China	**466.06**	4.10	–0.06	–1.44
CCB	**407.20**	6.56	–0.14	–2.09
Icbc	**229.21**	6.30	–0.08	–1.25
ChinaPetroChem	**168.09**	6.73	–0.13	–1.90
PetroChina	**104.31**	9.40	–0.11	–1.16

CBN 600
China 28985.86
▼ **0.57% or 165.99**

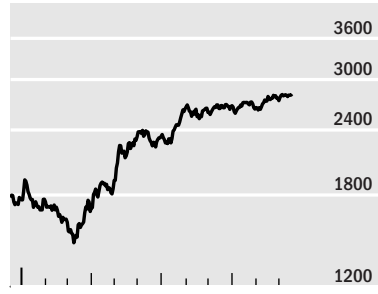
Banks helped take the index lower, declining for three of the past four trading days on the possibility of China cooling its lending binge.



Stock	Volume in millions	Close	Change Net	Change %
United Network	**296.66**	6.74	0.10	1.51
China State Con	**181.59**	4.86	–0.04	–0.82
ChinaMinshengBkg	**114.97**	7.76	–0.02	–0.26
HaitongSecs	**113.49**	17.46	0.31	1.81
Icbc	**109.35**	5.23	–0.03	–0.57

Straits-Times
Singapore 2813.93
▲ **0.54% or 15.23**

Singapore Airlines rose on positive November operating data released late Tuesday. CapitaLand and City Developments fell on weaker home-sales data.



Stock	Volume in millions	Close	Change Net	Change %
Genting Spore	**148.39**	1.15	0.06	5.50
Golden Agri	**37.53**	0.50	0.01	2.06
CapitaLand	**17.88**	4.18	–0.01	–0.24
Sing Telecom	**17.84**	3.06	0.04	1.32
Noble Grp	**16.48**	3.05	–0.05	–1.61

Asian stocks in the news

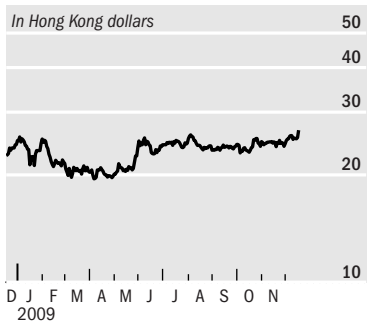
Mitsubishi Estate
Japan ¥1,533
▲ **4.4% or ¥64**

The firm's shares have gained 7.4% in the past three trading days.

		Daily	1 wk.	52 wks
Price-to-earnings ratio				**39**
Earnings per share, past four quarters				**39.20**
Dividend yield				**0.8**
	PERCENTAGE CHANGE			
Real Estate		**-0.5%**	-1.0%	36.3%
Mitsubishi Estate		**4.4%**	5.2%	5.7%

Hopewell Hldgs
Hong Kong HK$26.70
▲ **4.9% or HK$1.25**

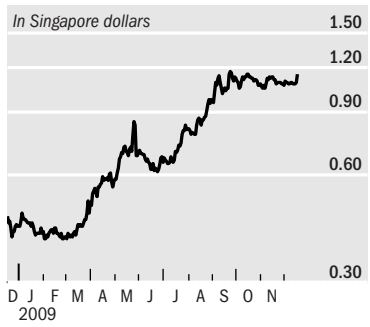
The Hong Kong firm's shares were higher in an overall lower market.



		Daily	1 wk.	52 wks
Price-to-earnings ratio				**14**
Earnings per share, past four quarters				**1.90**
Dividend yield				**3.7**
	PERCENTAGE CHANGE			
Real Estate		**-0.5%**	-1.0%	36.3%
Hopewell Hldgs		**4.9%**	6.2%	17.8%

Genting Singapore
Singapore S$1.15
▲ **5.5% or S$0.06**

Shares got a lift from the impending opening of Resorts World Sentosa casino early next year.



		Daily	1 wk.	52 wks
Price-to-earnings ratio				**none**
Earnings per share, past four quarters				**-0.02**
Dividend yield				**none**
	PERCENTAGE CHANGE			
Travel & Leisure		**1.5%**	-0.5%	6.0%
Genting Singapore		**5.5%**	5.5%	150.4%

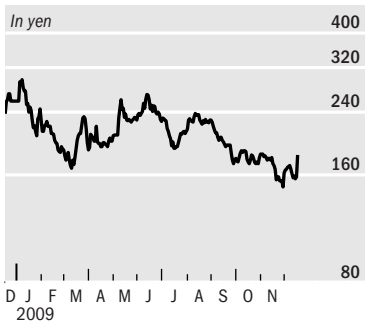
Sumitomo Mitsui Finl
Japan ¥3,030
▲ **14.3% or ¥380**

The Nikkei reported that global banking regulators will delay enforcement of new capital rules.

		Daily	1 wk.	52 wks
Price-to-earnings ratio				**14**
Earnings per share, past four quarters				**216.20**
Dividend yield				**3.0**
	PERCENTAGE CHANGE			
Banks		**1.1%**	-0.7%	31.3%
Sumitomo Mitsui Finl		**14.3%**	10.6%	-14.4%

Mizuho Financial Grp
Japan ¥182
▲ **15.2% or ¥24**

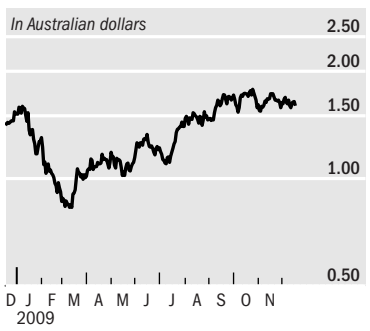
Daily trading volume in one of Japan's biggest banks hit its highest level since late 2003.



		Daily	1 wk.	52 wks
Price-to-earnings ratio				**14**
Earnings per share, past four quarters				**13.10**
Dividend yield				**4.4**
	PERCENTAGE CHANGE			
Banks		**1.1%**	-0.7%	31.3%
Mizuho Financial Grp		**15.2%**	13.0%	-23.4%

Fairfax Media
Australia A$1.60
▼ **2.7% or A$0.04**

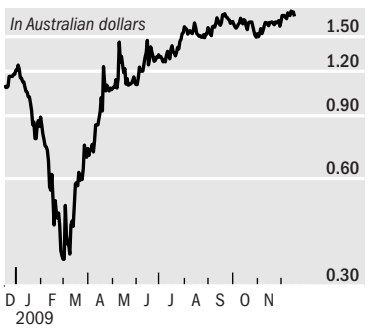
The company gave back most of its gains from previous trading sessions.



		Daily	1 wk.	52 wks
Price-to-earnings ratio				**none**
Earnings per share, past four quarters				**-0.22**
Dividend yield				**none**
	PERCENTAGE CHANGE			
Media		**0.4%**	-1.2%	21.7%
Fairfax Media		**-2.7%**	...	13.5%

Asciano Group
Australia A$1.71
▼ **2.8% or A$0.05**

The firm's shares slipped amid weakness in the industrial sector.



		Daily	1 wk.	52 wks
Price-to-earnings ratio				**none**
Earnings per share, past four quarters				**-0.33**
Dividend yield				**none**
	PERCENTAGE CHANGE			
Indus Gds & Svcs		**...**	-0.1%	40.1%
Asciano Group		**-2.8%**	-1.2%	55.9%

Isuzu Motors
Japan ¥161
▼ **3.0% or ¥5**

The auto maker's shares declined, while other exporters posted modest gains.

		Daily	1 wk.	52 wks
Price-to-earnings ratio				**none**
Earnings per share, past four quarters				**-11.20**
Dividend yield				**none**
	PERCENTAGE CHANGE			
Indus Gds & Svcs		**...**	-0.1%	40.1%
Isuzu Motors		**-3.0%**	-3.6%	51.9%

Shimao Prop
Hong Kong HK$15.10
▼ **3.9% or HK$0.62**

The company's shares declined to a two-week low.

		Daily	1 wk.	52 wks
Price-to-earnings ratio				**40**
Earnings per share, past four quarters				**0.38**
Dividend yield				**1.5**
	PERCENTAGE CHANGE			
Real Estate		**-0.5%**	-1.0%	36.3%
Shimao Prop		**-3.9%**	-11.1%	160.3%

Sino-Ocean Land
Hong Kong HK$7.15
▼ **5.2% or HK$0.39**

Property developers fell on Beijing's plans to contain rising real-estate prices.

		Daily	1 wk.	52 wks
Price-to-earnings ratio				**19**
Earnings per share, past four quarters				**0.38**
Dividend yield				**1.5**
	PERCENTAGE CHANGE			
Real Estate		**-0.5%**	-1.0%	36.3%
Sino-Ocean Land		**-5.2%**	-14.9%	97.0%

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